

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

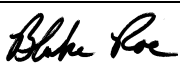
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of Wyandotte, Michigan

Financial Report
September 30, 2006

City of Wyandotte, Michigan

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wyandotte, Michigan as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wyandotte, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wyandotte, Michigan as of September 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wyandotte, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2007 on our consideration of the City of Wyandotte, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Morse, PLLC

March 6, 2007

City of Wyandotte, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Wyandotte, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2006:

- Property tax revenue is the City's single, largest source of revenue. The City's 2005 taxable value (levied for the 2006 fiscal year) was \$649,990,000 (ad valorem), which represents an increase of \$29,506,000 or 4.76 percent in the current year. Increases in ad valorem taxable values in non-TIFA districts totaled 4.1 percent in the current year.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$48,000 this year compared to the reduction of \$4,000 in the prior year. This represents a decrease of 1.4 percent in the current year. The cumulative decrease since 2000 is approximately 24 percent. Further, the City is receiving approximately \$1,055,000 less per year than in 2000.
- The City continued the sharing agreement with the Consolidated Tax Increment Finance Authority. This sharing agreement returned approximately \$1,887,000 to the General Fund in the current year compared to \$1,420,000 in the prior year. In addition, the City entered into a sharing agreement with the Downtown Development Authority. This sharing agreement returned approximately \$125,000 to the General Fund in the current year compared to \$30,000 in the prior year. Portions of these funds were used to defray annual operating costs with the remainder being contributed to the City of Wyandotte Retirement System.
- In previous years, the expenditures for retiree health insurance were made from the Health & Life Insurance Reserve of the Retirement System. In the prior year, financial resources were exhausted in this reserve. Consequently, the City's General Fund paid \$2,000,000 in the current year for the cost of retiree health insurance. Included in this amount is approximately \$203,000 to be applied to future retiree health insurance premiums.
- The City utilized the charter-authorized debt millage to fund the repayment of the bonds sold to construct the Department of Public Service facility. In addition, bonds were sold during the current year to fund the renovation of Yack Arena and for the construction of a new district court facility. The proceeds from the sale of these bonds will also be used to renovate the police department facility or to construct a new facility for the police department. The charter-authorized debt millage was collected in the current year for the debt repayment on the bonds sold for these projects as well.

City of Wyandotte, Michigan

Management's Discussion and Analysis

The amended budget of the City's General Fund indicated that an excess of expenditures of approximately \$273,000 was to be expected. The actual results showed an excess of revenues of approximately \$556,000. This positive variance can be primarily attributed to the following items:

- The City reached settlement with DTE Energy regarding their challenge of the tax multipliers used by the City in determining the personal property tax for the years 1997 through 2002. The settlement allowed the City to recognize \$368,000 in additional revenue during the current year. Unfortunately, the settlement will also result in reductions in future personal property tax revenue from this entity.
- Reductions in expenditures continue to be achieved through the elimination or delays in replacement of personnel positions when vacancies occur. Full-time employees have been reduced from 174 employees to 130 employees over the past nine years. During the current fiscal year, these efforts provided significant savings from the preliminary salary budget for the police department (\$62,000) and fire department (\$265,000).
- The City has also continued to reduce discretionary spending and has reduced certain elements of employer-paid health care coverage.
- The City recently performed a review of the operational environment of the City. The purpose of the review was to identify areas of operation that could be improved to better customer service at a reduced cost. Numerous recommendations were identified that would yield positive financial results to the City. The City has been implementing many of these recommendations and continues to review these issues and prioritize their implementation.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Wyandotte, Michigan

Management's Discussion and Analysis

The City as a Whole

The following table shows, in a condensed format, the net assets as of September 30, 2006 and 2005 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 49,108	\$ 40,544	\$ 12,818	\$ 14,809	\$ 61,926	\$ 55,353
Noncurrent assets	<u>75,732</u>	<u>66,939</u>	<u>98,321</u>	<u>102,689</u>	<u>174,053</u>	<u>169,628</u>
Total assets	124,840	107,483	111,139	117,498	235,979	224,981
Liabilities						
Current liabilities	32,800	25,919	13,828	9,828	46,628	35,747
Long-term liabilities	<u>14,101</u>	<u>4,795</u>	<u>53,524</u>	<u>62,593</u>	<u>67,625</u>	<u>67,388</u>
Total liabilities	<u>46,901</u>	<u>30,714</u>	<u>67,352</u>	<u>72,421</u>	<u>114,253</u>	<u>103,135</u>
Net Assets						
Invested in capital assets -						
Net of related debt	59,429	60,072	23,224	24,565	82,653	84,637
Restricted	4,888	7,631	11,345	11,622	16,233	19,253
Unrestricted	<u>13,622</u>	<u>9,066</u>	<u>9,218</u>	<u>8,890</u>	<u>22,840</u>	<u>17,956</u>
Total net assets	<u>\$ 77,939</u>	<u>\$ 76,769</u>	<u>\$ 43,787</u>	<u>\$ 45,077</u>	<u>\$ 121,726</u>	<u>\$ 121,846</u>

The City of Wyandotte, Michigan has combined net assets of \$122 million in the current year, which is the same as in the prior year. Business-type activities comprise \$44 million and \$45 million of the total net assets in the respective years.

City of Wyandotte, Michigan

Management's Discussion and Analysis

The following table shows the changes of the net assets during the fiscal years ended September 30, 2006 and 2005 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 6,849	\$ 5,141	\$ 43,139	\$ 38,335	\$ 49,988	\$ 43,476
Operating grants and contributions	2,020	2,049	-	-	2,020	2,049
Capital grants and contributions	1,918	2,220	82	556	2,000	2,776
General revenue:						
Property taxes	11,905	10,643	-	-	11,905	10,643
State-shared revenue	3,392	3,436	-	-	3,392	3,436
Unrestricted investment earnings	1,510	569	1,463	889	2,973	1,458
Gain (loss) on sale of assets	(28)	(24)	47	55	19	31
Transfers and other revenue	(576)	612	576	652	-	1,264
Total revenue	26,990	24,646	45,307	40,487	72,297	65,133
Program Expenses						
General government	8,731	8,721	-	-	8,731	8,721
Public safety	8,631	10,629	-	-	8,631	10,629
Public works	6,863	7,847	-	-	6,863	7,847
Community and economic development	256	583	-	-	256	583
Recreation and culture	1,130	1,565	-	-	1,130	1,565
Interest on long-term debt	210	107	-	-	210	107
Business-type	-	-	46,597	41,381	46,597	41,381
Total program expenses	25,821	29,452	46,597	41,381	72,418	70,833
Change in Net Assets	\$ 1,169	\$ (4,806)	\$ (1,290)	\$ (894)	\$ (121)	\$ (5,700)

Governmental Activities

The City's total governmental revenues increased by approximately \$2,344,000, or 9.5 percent, in the current year compared to an increase of \$1,081,000, or 4.6 percent, in the prior year. The current year increase can be attributed to greater investment earnings (\$940,000), increased property tax revenue (\$1,262,000), and increased charges for services (\$1,708,000) offset by transfers to cover retiree costs. In the prior year there was a significant outside operating grant that was received that did not occur in the current year; however, this was offset in the current year by a significantly increase in road improvements funded by the component units.

Expenses decreased by approximately \$3,631,000, or 12.3 percent, in the current year compared to an increase of \$4,083,000 during the prior year. Current year decreases reflect the many efforts the City made to reduce the cost of operations in light of severe revenue growth limitations.

City of Wyandotte, Michigan

Management's Discussion and Analysis

Business-type Activities

The City's business-type activities consist of the Electric Fund, Water Fund, Cable Television Fund, Sewage Disposal Fund, Municipal Golf Course Fund, and Commercial Building Rental Fund. We provide electric, water, and cable television service to residents from city-owned facilities. We provide sewage treatment via the Downriver Sewage Disposal System, which is co-owned with 13 communities and operated by the County of Wayne. Wyandotte Shores Golf Course is owned and operated by the City and offers golfers a nine-hole links-style course on the shores of the Detroit River. The Commercial Building Rental Fund accounts for the activity of the city-owned commercial building at 3200 Biddle Avenue.

The Electric Fund's operating revenue increased for the year by 16 percent due in part to off-system sales (wholesale sales to customers outside the City's geographic boundary), an increase in the power supply recovery charge, and sales to a new steam customer. Operating expenses increased by 14 percent as a result of significant increases in fuel and power production costs. The operating loss decreased from the prior year by approximately \$500,000.

The Water Fund's operating revenue increased slightly in the current year while operating expenses decreased. Operating income increased by 38 percent to approximately \$274,000 in the current year as compared to the operating income of \$199,000 in the prior year.

The Cable Television Fund's operating revenue increased by 3.7 percent, mainly due to an increase in Internet cable revenues, compared to an increase of 5.3 percent in the prior year. Operating expenses increased by 11.6 percent in the current year. Thus, the Cable Television Fund's realized an operating net loss of approximately \$142,000 in the current year.

The operating results of the Sewage Disposal Fund indicate an operating loss of \$38,000 in the current year compared to operating income of \$196,000 in the prior year. This nominal loss is primarily a result of increased maintenance programs being implemented and higher than expected meter loss.

The Municipal Golf Course showed an operating loss of approximately \$125,000 in the current year as compared to \$87,000 in the prior year. The loss was primarily the result of lower usage of the facility and higher operating costs. Unfortunately, the facility continues to operate at a loss which can be attributed to macro-economic conditions, the proliferation of golf courses in the area, and inherent limitations surrounding the operation of a nine-hole facility.

The city-owned commercial building realized net income of approximately \$162,000, which is a reduction of approximately 32 percent from the previous year. The reduction in net income can be entirely attributed to the loss of tenants throughout the current year. Nonetheless, these results are positive in light of the City's desire to acquire the building at no cost to the taxpayers.

City of Wyandotte, Michigan

Management's Discussion and Analysis

The City's Funds

Our analysis of the City's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2006 include the General Fund, the Major Streets Fund, the Local Streets Fund, and the Solid Waste Disposal Fund.

The General Fund pays for most of the City's governmental services. The most significant is public safety, which incurred expenses of approximately \$8.5 million, or 52.7 percent, of the total General Fund expenditures in the current year as compared to \$8.1 million, or 53.3 percent, of the total General Fund expenditures in the prior fiscal year. Additional noteworthy expenditures include public works (\$3.01 million, or 18.6 percent, in the current fiscal year as compared to \$2.51 million, or 16.6 percent, of total expenditures in the prior fiscal year) and recreation and culture (\$949,000, or 5.88 percent, of total expenditures in the current fiscal year compared to \$1.0 million, or 6.6 percent, of total expenditures in the prior fiscal year).

The Major and Local Streets Funds are responsible for the construction and maintenance of the road system within the city. Funding for these activities is primarily derived from taxes on motor vehicles and motor vehicle fuels. Expenditures in these funds were used for road construction, resurfacing, maintenance, plowing, salting, cleaning, and traffic services. Expenditures totaled approximately \$1.64 million in the current fiscal year compared to \$1.125 million in the prior fiscal year for the Major Streets Fund and \$1.93 million in the current fiscal year and \$1.85 million in the prior fiscal year for the Local Streets Fund. The expenditures for the Major and Local Streets Funds continue to reflect the investment in ensuring the road system within the City is adequately maintained and improved.

The Solid Waste Disposal Fund provides for solid waste rubbish collections and disposal for city residents and businesses. Funding is primarily derived from a tax levy dedicated for solid waste disposal purposes. This tax levy totaled \$1.49 million in the current fiscal year and \$1.38 million in the prior fiscal year. User fees, totaling \$322,000 in the current year and \$283,000 in the prior year, also support certain elements of the disposal programs. Expenditures for rubbish collection and disposal totaled \$1.62 million in the current year and \$1.59 million in the prior fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to include projected expenditures that were not completed at the end of the prior fiscal year

City of Wyandotte, Michigan

Management's Discussion and Analysis

- Changes made throughout the year to account for revised estimates based on new or better knowledge and new projects that the Council desired to pursue
- Increases in appropriations to prevent budget overruns

Even with these adjustments, actual expenditures were less than anticipated. This is primarily attributable to the management of personnel costs when vacancies arose which effectively served as a hiring freeze. Also, the growth in property tax revenue exceeded the City's expectations. In addition, savings were also derived from the City's decision to self-insure prescription drug coverage for active employees, the utilization of programs by the courts to alleviate prisoner holding and transportation costs, and lower costs for liability and property insurance.

The most significant changes were increased appropriations for overtime for the fire department (\$50,000), reductions in personnel costs for the fire department as a result of delays in hiring new employees (\$175,000), increased cost for gasoline and oil (\$121,000), additional amounts due for the annual pension contribution (\$695,000), and costs associated with the granting of an annual bonus to city employees (\$151,000) who previously took a three-year wage freeze. Revenue adjustments included an increase in investment earnings (\$463,000) to reflect increased investment return realized from higher interest rates and larger surplus cash balances. An increase in net revenue from fines and fees received from the district court was increased (\$475,000) to reflect increased citations written by the police department, and an increase in revenue realized from the property tax settlement with DTE Energy (\$368,000).

Capital Asset and Debt Administration

The City continued its plans to construct a new police and district court facility adjacent to the current facility. A revised project was being studied that includes a new court facility with the existing building being renovated for use by the police department only. This project is estimated to cost \$6.4 million and be funded through proceeds received from the sale of general obligation bonds that occurred during July of this year as well as a contribution from the Tax Increment Finance Authority. The City Council continues to evaluate the scope of this project and intends to make a decision shortly on this issue.

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year will continue to face a number of negative factors including reductions or lack of growth in state-shared revenue, escalating health care costs, depletion of reserve funds previously relied upon by the City, and lack of significant growth in property tax revenue due to the impact of Proposal A and the Headlee Amendment. Thus, the City needs to continue to monitor the budget very closely. No local tax increase is expected in the future but the delivery of services may be curtailed if the financial pressures continue.

City of Wyandotte, Michigan

Management's Discussion and Analysis

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

City of Wyandotte, Michigan

Statement of Net Assets September 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 41,366,868	\$ 4,512,288	\$ 45,879,156	\$ 9,921,365
Receivables - Net:				
Taxes	3,858,373	-	3,858,373	1,870
Special assessments	740,424	-	740,424	-
Customer	-	6,025,414	6,025,414	-
Accrued interest	48,404	-	48,404	-
Other	824,649	-	824,649	126,725
Due from other governmental units	1,330,460	-	1,330,460	-
Note receivable	162,983	-	162,983	-
Due from primary government (Note 9)	-	-	-	2,014,810
Internal balances (Note 9)	654,005	(654,005)	-	-
Inventory	-	1,714,694	1,714,694	-
Prepaid expenses and other assets	121,900	1,219,366	1,341,266	-
Restricted assets (Note 12)	6,535,277	16,179,134	22,714,411	-
Investment in joint ventures (Note 7)	1,740,000	660,000	2,400,000	-
Land held for resale (Note 6)	123,007	-	123,007	847,005
Capital assets:				
Assets not subject to depreciation (Note 8)	21,426,649	4,035,103	25,461,752	-
Assets subject to depreciation - Net (Note 8)	44,636,784	74,253,615	118,890,399	-
Bond issuance costs (Note 5)	-	1,147,721	1,147,721	-
Long-term receivable (Note 17)	-	2,046,000	2,046,000	-
Advance to component unit (Note 9)	1,270,034	-	1,270,034	-
Total assets	124,839,817	111,139,330	235,979,147	12,911,775
Liabilities				
Accounts payable	4,157,056	1,684,831	5,841,887	1,472,636
Due to other governmental units	10,419,488	-	10,419,488	188,581
Due to component units (Note 9)	2,014,810	-	2,014,810	-
Refundable deposits, bonds, etc.	1,164,774	783,541	1,948,315	-
Accrued liabilities and other	948,007	2,155,199	3,103,206	268,851
Deferred revenue (Note 4)	12,826,745	147,992	12,974,737	4,001,222
Debt service payable from restricted assets	-	4,605,454	4,605,454	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	719,066	-	719,066	-
Current portion of long-term debt (Note 10)	550,000	4,451,239	5,001,239	832,029
Due in more than one year:				
Compensated absences	589,139	-	589,139	-
Long-term general liability and workers' compensation claims (Note 11)	892,297	-	892,297	-
Advance from primary government (Note 9)	-	-	-	1,270,034
Long-term debt - Net of current portion and amount payable from restricted assets (Note 10)	12,620,000	53,524,007	66,144,007	2,805,760
Total liabilities	46,901,382	67,352,263	114,253,645	10,839,113
Net Assets				
Invested in capital assets - Net of related debt	59,428,710	23,224,161	82,652,871	-
Restricted for:				
Major and local streets projects	1,030,615	-	1,030,615	-
Construction and other	2,440,552	1,160,504	3,601,056	-
Debt service	1,416,239	9,091,997	10,508,236	-
Retiree health care	-	1,092,490	1,092,490	-
Unrestricted	13,622,319	9,217,915	22,840,234	2,072,662
Total net assets	\$ 77,938,435	\$ 43,787,067	\$ 121,725,502	\$ 2,072,662

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Wyandotte, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,731,210	\$ 2,542,078	\$ -	\$ -
Public safety	8,630,619	2,423,660	108,425	-
Public works	6,863,180	1,104,318	1,848,289	1,896,160
Community and economic development	256,042	66,400	63,760	21,400
Recreation and culture	1,129,934	712,490	-	-
Interest on long-term debt	210,399	-	-	-
Total governmental activities	25,821,384	6,848,946	2,020,474	1,917,560
Business-type activities:				
Electric	33,350,727	30,038,002	-	-
Water	2,642,110	2,916,192	-	81,680
Cable television	6,218,243	5,990,746	-	-
Sewage disposal	3,334,262	3,108,162	-	-
Golf course	437,395	312,103	-	-
Building rental	614,232	773,588	-	-
Total business-type activities	46,596,969	43,138,793	-	81,680
Total primary government	<u>\$ 72,418,353</u>	<u>\$ 49,987,739</u>	<u>\$ 2,020,474</u>	<u>\$ 1,999,240</u>
Component units:				
Tax Increment Finance Authorities - Consolidated Development Area	6,831,194	-	-	-
Tax Increment Finance Authorities - Downtown Development Area	1,375,000	15,691	-	-
Downtown Development Authority	-	-	-	-
Brownfield Redevelopment Authority	192,502	-	-	-
Total component units	<u>\$ 8,398,696</u>	<u>\$ 15,691</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Miscellaneous				
Total general revenues				
Gain (Loss) on Sale of Fixed Assets				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities Year Ended September 30, 2006

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,189,132)	\$ -	\$ (6,189,132)	\$ -
(6,098,534)	-	(6,098,534)	-
(2,014,413)	-	(2,014,413)	-
(104,482)	-	(104,482)	-
(417,444)	-	(417,444)	-
(210,399)	-	(210,399)	-
(15,034,404)	-	(15,034,404)	-
-	(3,312,725)	(3,312,725)	-
-	355,762	355,762	-
-	(227,497)	(227,497)	-
-	(226,100)	(226,100)	-
-	(125,292)	(125,292)	-
-	159,356	159,356	-
-	(3,376,496)	(3,376,496)	-
(15,034,404)	(3,376,496)	(18,410,900)	-
-	-	-	(6,831,194)
-	-	-	(1,359,309)
-	-	-	-
-	-	-	(192,502)
-	-	-	(8,383,005)
11,904,951	-	11,904,951	6,008,961
3,391,591	-	3,391,591	-
1,173,783	1,464,091	2,637,874	429,105
337,178	-	337,178	112,064
16,807,503	1,464,091	18,271,594	6,550,130
(28,268)	46,521	18,253	887,391
(575,652)	575,652	-	-
1,169,179	(1,290,232)	(121,053)	(945,484)
76,769,256	45,077,299	121,846,555	3,018,146
\$ 77,938,435	\$ 43,787,067	\$ 121,725,502	\$ 2,072,662

City of Wyandotte, Michigan

Governmental Funds Balance Sheet September 30, 2006

	General	Major Streets	Local Streets	Solid Waste Disposal	Nonmajor	Total
Assets						
Cash and investments (Note 3)	\$ 31,829,262	\$ 849,004	\$ 314,614	\$ 676,736	\$ 7,048,262	\$ 40,717,878
Receivables - Net:						
Taxes	3,480,535	-	-	208,994	168,844	3,858,373
Special assessments	-	-	-	-	740,424	740,424
Accrued interest	15,518	-	-	-	32,886	48,404
Other	719,050	-	-	23,422	47,475	789,947
Due from other governmental units	816,349	191,498	70,765	-	251,848	1,330,460
Due from other funds (Note 9)	95,273	884	-	1,749,451	2,513,188	4,358,796
Advances to other funds (Note 9)	-	-	-	-	821,884	821,884
Prepaid expenses and other assets	121,900	-	-	-	-	121,900
Land held for resale (Note 6)	-	-	-	-	123,007	123,007
Restricted assets (Note 12)	-	-	-	-	6,535,277	6,535,277
Note receivable	-	-	-	-	162,983	162,983
Advance to component unit (Note 9)	-	-	-	-	990,946	990,946
Total assets	\$ 37,077,887	\$ 1,041,386	\$ 385,379	\$ 2,658,603	\$ 19,437,024	\$ 60,600,279
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 716,445	\$ 179,983	\$ 109,349	\$ 206,036	\$ 2,938,474	\$ 4,150,287
Due to other governmental units	10,419,488	-	-	-	-	10,419,488
Due to component units (Note 9)	1,633,676	-	-	53,697	327,437	2,014,810
Due to other funds (Note 9)	9,677,559	476	34,906	-	79,175	9,792,116
Refundable deposits, bonds, etc.	1,164,774	-	-	-	-	1,164,774
Accrued liabilities and other	868,441	-	-	-	22,566	891,007
Deferred revenue (Note 4)	10,776,804	-	71,436	1,664,668	1,859,541	14,372,449
Total liabilities	35,257,187	180,459	215,691	1,924,401	5,227,193	42,804,931
Fund Balances						
Reserved for:						
Noncurrent receivables	-	-	-	-	821,884	821,884
Construction, debt service, and other	-	-	-	-	10,392,068	10,392,068
Unreserved, reported in:						
General Fund	1,820,700	-	-	-	-	1,820,700
Special Revenue Funds	-	860,927	169,688	734,202	2,995,879	4,760,696
Total fund balances	1,820,700	860,927	169,688	734,202	14,209,831	17,795,348
Total liabilities and fund balances	\$ 37,077,887	\$ 1,041,386	\$ 385,379	\$ 2,658,603	\$ 19,437,024	\$ 60,600,279

City of Wyandotte, Michigan

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **Year Ended September 30, 2006**

Fund Balance Reported in Governmental Funds	\$ 17,795,348
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	66,063,433
Investments in joint ventures are not financial resources and are not reported in the funds	1,740,000
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	793,421
Property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	214,349
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	537,934
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(13,170,000)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,308,205)
Interest payable is not due and payable in the current period and is not reported in the funds	(57,000)
Internal Service Funds are included as part of governmental activities	5,329,155
Net Assets of Governmental Activities	<u>\$ 77,938,435</u>

City of Wyandotte, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2006

	General	Major Streets	Local Streets	Solid Waste Disposal	Nonmajor	Total
Revenue						
Property taxes	\$ 9,690,716	\$ -	\$ -	\$ 1,493,329	\$ 646,353	\$ 11,830,398
Licenses and permits	531,419	-	-	-	-	531,419
Federal grants	-	-	159,600	-	530,505	690,105
State-shared revenue and grants	3,391,591	1,165,743	431,706	-	121,461	5,110,501
Contribution from component unit	-	719,987	1,193,704	-	241,099	2,154,790
Other charges for services	3,054,819	-	-	322,059	-	3,376,878
Other fines and forfeitures	1,863,276	-	-	-	-	1,863,276
Investment income	678,179	34,948	15,721	38,771	378,814	1,146,433
Other revenue	509,575	73,407	-	-	934,345	1,517,327
Total revenue	19,719,575	1,994,085	1,800,731	1,854,159	2,852,577	28,221,127
Expenditures						
General government	3,673,767	-	-	-	526,050	4,199,817
Public safety	8,503,923	-	-	-	66,233	8,570,156
Public works	3,007,968	1,640,586	1,928,760	1,615,511	2,331,040	10,523,865
Community and economic development	-	-	-	-	256,042	256,042
Recreation and culture	948,905	-	-	-	3,222,967	4,171,872
Debt service	-	-	-	-	636,527	636,527
Total expenditures	16,134,563	1,640,586	1,928,760	1,615,511	7,038,859	28,358,279
Excess of Revenue Over (Under) Expenditures	3,585,012	353,499	(128,029)	238,648	(4,186,282)	(137,152)
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	9,995,000	9,995,000
Transfers in	-	-	291,436	-	1,102,859	1,394,295
Transfers out	(3,028,511)	(291,436)	-	-	-	(3,319,947)
Total other financing sources (uses)	(3,028,511)	(291,436)	291,436	-	11,097,859	8,069,348
Net Change in Fund Balance	556,501	62,063	163,407	238,648	6,911,577	7,932,196
Fund Balance - Beginning of year	1,264,199	798,864	6,281	495,554	7,298,254	9,863,152
Fund Balance - End of year	\$ 1,820,700	\$ 860,927	\$ 169,688	\$ 734,202	\$ 14,209,831	\$ 17,795,348

City of Wyandotte, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	7,932,196
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	7,479,777
Depreciation expense	(5,110,969)
Net book value of assets disposed of	(28,268)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(787,199)
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Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(9,995,000)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	475,941
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Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(20,243)
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Accrued interest	(49,813)
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Internal Service Funds are included as part of governmental activities	1,272,757
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Change in Net Assets of Governmental Activities	\$	<u>1,169,179</u>
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City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
Assets				
Current assets:				
Cash and investments (Note 3)	\$ -	\$ 281,781	\$ 175,960	\$ 3,917,812
Receivables - Net:				
Customer	4,977,843	513,339	370,585	163,647
Other	-	-	-	-
Due from other funds (Note 9)	51,756	809,409	103,480	1,058,038
Inventory	1,543,032	99,759	71,903	-
Prepaid expenses and other assets	31,550	10,256	41,169	1,051,412
Total current assets	6,604,181	1,714,544	763,097	6,190,909
Noncurrent assets:				
Restricted assets (Note 12)	14,821,924	155,893	1,201,317	-
Investment in joint ventures (Note 7)	-	-	-	660,000
Capital assets:				
Assets not subject to depreciation (Note 8)	3,890,103	-	-	-
Assets subject to depreciation - Net (Note 8)	44,830,887	8,158,934	3,597,217	11,650,227
Bond issuance costs (Note 5)	1,147,721	-	-	-
Long-term receivable (Note 17)	2,046,000	-	-	-
Advance to component unit (Note 9)	-	-	-	-
Total noncurrent assets	66,736,635	8,314,827	4,798,534	12,310,227
Total assets	73,340,816	10,029,371	5,561,631	18,501,136
Liabilities				
Current liabilities:				
Accounts payable	837,419	9,970	293,937	525,795
Due to other funds (Note 9)	892,889	578,361	41,174	-
Refundable deposits, bonds, etc.	604,866	-	178,675	-
Accrued liabilities and other	1,412,406	312,933	424,662	-
Deferred revenue (Note 4)	-	-	147,992	-
Debt service payable from restricted assets	4,605,454	-	-	-
Current portion of long-term debt (Note 10)	3,475,000	-	375,000	487,651
Total current liabilities	11,828,034	901,264	1,461,440	1,013,446
Noncurrent liabilities:				
Advances from other funds (Note 9)	-	-	-	-
Long-term general liability and workers' compensation claims (Note 11)	-	-	-	-
Long-term debt - Net of current portion and amount payable from restricted assets (Note 10)	44,677,977	-	1,541,531	6,971,192
Total noncurrent liabilities	44,677,977	-	1,541,531	6,971,192
Total liabilities	56,506,011	901,264	3,002,971	7,984,638
Net Assets				
Invested in capital assets - Net of related debt	3,478,702	8,158,934	1,680,686	4,191,384
Restricted (Note 12)	9,987,781	155,893	1,201,317	-
Unrestricted (deficit)	3,368,322	813,280	(323,343)	6,325,114
Total net assets	\$ 16,834,805	\$ 9,128,107	\$ 2,558,660	\$ 10,516,498

Proprietary Funds
Statement of Net Assets
September 30, 2006

Golf Course	Building Rental	Total Enterprise Funds	Internal Service
\$ 94,622	\$ 42,113	\$ 4,512,288	\$ 648,990
-	-	6,025,414	-
-	-	-	34,702
-	-	2,022,683	5,265,441
-	-	1,714,694	-
-	84,979	1,219,366	-
94,622	127,092	15,494,445	5,949,133
-	-	16,179,134	-
-	-	660,000	-
-	145,000	4,035,103	-
3,351,903	2,664,447	74,253,615	-
-	-	1,147,721	-
-	-	2,046,000	-
-	-	-	279,088
3,351,903	2,809,447	98,321,573	279,088
3,446,525	2,936,539	113,816,018	6,228,221
17,710	-	1,684,831	6,769
-	342,380	1,854,804	-
-	-	783,541	-
5,198	-	2,155,199	-
-	-	147,992	-
-	-	4,605,454	-
-	113,588	4,451,239	-
22,908	455,968	15,683,060	6,769
-	821,884	821,884	-
-	-	-	892,297
-	333,307	53,524,007	-
-	1,155,191	54,345,891	892,297
22,908	1,611,159	70,028,951	899,066
3,351,903	2,362,552	23,224,161	-
-	-	11,344,991	-
71,714	(1,037,172)	9,217,915	5,329,155
\$ 3,423,617	\$ 1,325,380	\$ 43,787,067	\$ 5,329,155

City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
Operating Revenue				
Sale of water	\$ -	\$ 2,916,192	\$ -	\$ -
Sewage disposal charges	-	-	-	3,037,768
Sale of electricity	30,038,002	-	-	-
Other sales to customers	-	-	5,990,746	-
Other miscellaneous revenues	-	-	-	70,394
Total operating revenue	30,038,002	2,916,192	5,990,746	3,108,162
Operating Expenses				
Cost of water	-	672,565	-	-
Cost of sewage treatment	-	-	-	1,676,939
Cost of electrical production	20,393,723	-	-	-
Cost of insurance claims	-	-	-	-
Distribution	1,281,893	520,493	718,683	-
Transportation	73,598	17,410	17,128	-
Billing and administrative costs	444,133	260,619	480,386	-
Other operation and maintenance costs	3,962,148	662,364	1,268,406	1,195,354
Cable television royalties	-	-	3,150,460	-
Depreciation	4,524,536	508,659	497,416	273,929
Total operating expenses	30,680,031	2,642,110	6,132,479	3,146,222
Operating Income (Loss)	(642,029)	274,082	(141,733)	(38,060)
Nonoperating Revenue (Expenses)				
Investment and other income	1,063,971	148,228	133,505	114,521
Interest expense	(2,570,748)	-	(85,764)	(188,040)
Amortization of bond issuance costs	(99,948)	-	-	-
Gain on sale of assets	6,121	144	40,256	-
Income (Loss) - Before contributions	(2,242,633)	422,454	(53,736)	(111,579)
Capital Contributions	-	81,680	-	-
Transfers In	-	-	-	575,652
Change in Net Assets	(2,242,633)	504,134	(53,736)	464,073
Net Assets - Beginning of year	19,077,438	8,623,973	2,612,396	10,052,425
Net Assets - End of year	<u>\$ 16,834,805</u>	<u>\$ 9,128,107</u>	<u>\$ 2,558,660</u>	<u>\$ 10,516,498</u>

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended September 30, 2006

Golf Course	Building Rental	Total Enterprise	
		Funds	Internal Service
\$ -	\$ -	\$ 2,916,192	\$ -
-	-	3,037,768	-
-	-	30,038,002	-
312,103	671,455	6,974,304	-
-	102,133	172,527	123,464
<u>312,103</u>	<u>773,588</u>	<u>43,138,793</u>	<u>123,464</u>
-	-	672,565	-
-	-	1,676,939	-
-	-	20,393,723	-
-	-	-	237,798
-	-	2,521,069	-
-	-	108,136	-
-	-	1,185,138	-
306,660	405,182	7,800,114	-
-	-	3,150,460	-
130,735	117,362	6,052,637	-
<u>437,395</u>	<u>522,544</u>	<u>43,560,781</u>	<u>237,798</u>
(125,292)	251,044	(421,988)	(114,334)
1,579	2,287	1,464,091	37,091
-	(91,688)	(2,936,240)	-
-	-	(99,948)	-
-	-	46,521	-
<u>(123,713)</u>	<u>161,643</u>	<u>(1,947,564)</u>	<u>(77,243)</u>
-	-	81,680	-
-	-	575,652	1,350,000
<u>(123,713)</u>	<u>161,643</u>	<u>(1,290,232)</u>	<u>1,272,757</u>
3,547,330	1,163,737	45,077,299	4,056,398
<u>\$ 3,423,617</u>	<u>\$ 1,325,380</u>	<u>\$ 43,787,067</u>	<u>\$ 5,329,155</u>

City of Wyandotte, Michigan

	Electric	Water	Cable Television
Cash Flow from Operating Activities			
Receipts from customers	\$ 29,101,065	\$ 2,874,106	\$ 5,938,046
Receipts from interfund services and reimbursements	-	-	-
Payments to suppliers	(22,547,744)	(1,663,307)	(4,664,845)
Payments to employees	(3,960,723)	(910,395)	(925,328)
Claims paid	-	-	-
Net cash provided by (used in) operating activities	2,592,598	300,404	347,873
Cash Flows from Noncapital Financing Activities - Transfers from other funds	774,435	(774,435)	-
Cash Flows from Capital and Related Financing Activities			
Issuance of bonds	-	-	-
Proceeds from sales of capital assets	6,121	144	40,256
Purchase of capital assets - Net of reimbursements	(6,754,892)	(171,414)	(603,332)
Principal and interest paid on capital debt	(4,925,844)	-	(460,764)
Asset constructed for customer - Net of repayment	(2,682,000)	-	-
Net cash used in capital and related financing activities	(14,356,615)	(171,270)	(1,023,840)
Cash Flows from Investment Activities - Interest received on investments	1,063,971	148,228	133,505
Net Increase (Decrease) in Cash and Cash Equivalents	(9,925,611)	(497,073)	(542,462)
Cash and Cash Equivalents - Beginning of year	24,747,535	934,747	1,919,739
Cash and Cash Equivalents - End of year	<u>\$ 14,821,924</u>	<u>\$ 437,674</u>	<u>\$ 1,377,277</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ -	\$ 281,781	\$ 175,960
Restricted investments	14,821,924	155,893	1,201,317
Total cash and cash equivalents	<u>\$ 14,821,924</u>	<u>\$ 437,674</u>	<u>\$ 1,377,277</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (642,029)	\$ 274,082	\$ (141,733)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	4,524,536	508,659	497,416
Changes in assets and liabilities:			
Receivables	(936,937)	(42,086)	(52,700)
Due from others	-	-	-
Inventories	840,650	(1,190)	117,138
Prepaid and other assets	41,519	(10,256)	(41,169)
Accounts payable	(1,375,279)	(149,064)	(6,667)
Due to others	-	(254,021)	(62,306)
Estimated claims liability	-	-	-
Accrued and other liabilities	73,440	(21,328)	50,230
Equity in joint venture	-	-	(12,336)
Interfund balances	66,698	(4,392)	-
Net cash provided by (used in) operating activities	<u>\$ 2,592,598</u>	<u>\$ 300,404</u>	<u>\$ 347,873</u>

Noncash Capital and Related Financing Activities - During the year ended September 30, 2006, \$81,680 of asset additions were contributed to the Water Fund.

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2006

Sewage Disposal	Golf Course	Building Rental	Total	Internal Service
\$ 3,108,162	\$ 312,103	\$ 773,588	\$ 42,107,070	\$ 216,509
259,118	-	-	259,118	-
(3,820,098)	(175,647)	(373,587)	(33,245,228)	651
-	(121,942)	-	(5,918,388)	-
-	-	-	-	(360,896)
(452,818)	14,514	400,001	3,202,572	(143,736)
575,652	-	(209,889)	365,763	-
538,200	-	-	538,200	-
-	-	-	46,521	-
(538,200)	(2,804)	-	(8,070,642)	-
(642,527)	-	(195,815)	(6,224,950)	-
-	-	-	(2,682,000)	-
(642,527)	(2,804)	(195,815)	(16,392,871)	-
114,521	1,579	2,287	1,464,091	37,091
(405,172)	13,289	(3,416)	(11,360,445)	(106,645)
4,322,984	81,333	45,529	32,051,867	755,635
\$ 3,917,812	\$ 94,622	\$ 42,113	\$ 20,691,422	\$ 648,990
\$ 3,917,812	\$ 94,622	\$ 42,113	\$ 4,512,288	\$ 648,990
-	-	-	16,179,134	-
\$ 3,917,812	\$ 94,622	\$ 42,113	\$ 20,691,422	\$ 648,990
\$ (38,060)	\$ (125,292)	\$ 251,044	\$ (421,988)	\$ (114,334)
273,929	130,735	117,362	6,052,637	-
-	-	-	(1,031,723)	93,045
259,118	-	-	259,118	-
-	-	-	956,598	-
(608,560)	-	31,595	(586,871)	-
68,246	9,071	-	(1,453,693)	651
-	-	-	(316,327)	-
-	-	-	-	(123,098)
-	-	-	102,342	-
(407,491)	-	-	(419,827)	-
-	-	-	62,306	-
\$ (452,818)	\$ 14,514	\$ 400,001	\$ 3,202,572	\$ (143,736)

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2006
Fiduciary Funds
Statement of Net Assets
September 30, 2006

	<u>Pension Trust</u>	<u>Agency</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 10,003,651	\$ 403,411
Investments (Note 3):		
U.S. government securities	13,417,302	-
Stocks	17,803,744	-
Bonds	8,269,921	-
Foreign stock	9,235,038	-
Foreign government obligations	6,358,905	-
Foreign stock investment pools	5,479,133	-
Receivables - Net - Accrued interest	<u>267,389</u>	<u>4,883</u>
Total assets	70,835,083	<u>\$ 408,294</u>
Liabilities		
Accounts payable	42,277	\$ -
Due to other governmental units	-	34
Refundable deposits, bonds, etc.	<u>-</u>	<u>408,260</u>
Total liabilities	<u>42,277</u>	<u>\$ 408,294</u>
Net Assets Held in Trust for Pension and Other Employee Benefits	<u>\$ 70,792,806</u>	

City of Wyandotte, Michigan

Fiduciary Funds **Statement of Changes in Fiduciary Net Assets** **Year Ended September 30, 2006**

Additions

Investment income:	
Interest and dividends	\$ 1,995,700
Net increase in fair value of investments	2,782,833
Investment related expenses	<u>(357,223)</u>
Net investment income	4,421,310
Contributions:	
Employer contributions from WDMS	657,324
Employee contributions	76,168
Employer contributions from all other funds	<u>4,081,665</u>
Net contributions	<u>4,815,157</u>
Total additions	9,236,467

Deductions

Benefit payments	5,334,235
Health benefits	<u>1,697,746</u>
Total deductions	<u>7,031,981</u>

Net Increase in Net Assets Held in Trust 2,204,486

Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year 68,588,320

Net Assets Held in Trust for Pension and Other Employee Benefits - End of year **\$ 70,792,806**

City of Wyandotte, Michigan

Component Units Statement of Net Assets (Deficit) September 30, 2006

	Tax Increment Finance Authorities - Consolidated	Tax Increment Finance Authorities - Downtown	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets					
Cash and investments (Note 3)	\$ 7,901,248	\$ 2,019,139	\$ 978	\$ -	\$ 9,921,365
Receivables - Net:					
Taxes	-	-	1,870	-	1,870
Other	109,185	17,540	-	-	126,725
Due from primary government (Note 9)	1,568,821	445,989	-	-	2,014,810
Internal balances (Note 9)	5,391	-	-	(5,391)	-
Land held for resale (Note 6)	832,005	15,000	-	-	847,005
Total assets	10,416,650	2,497,668	2,848	(5,391)	12,911,775
Liabilities					
Accounts payable	1,456,635	15,806	-	195	1,472,636
Due to other governmental units	-	-	-	188,581	188,581
Accrued liabilities and other	49,160	219,691	-	-	268,851
Deferred revenue (Note 4)	3,272,800	726,550	1,872	-	4,001,222
Advance from primary government (Note 9)	-	-	-	1,270,034	1,270,034
Long-term debt (Note 10)	2,671,935	890,000	-	75,854	3,637,789
Total liabilities	7,450,530	1,852,047	1,872	1,534,664	10,839,113
Net Assets (Deficit) - Unrestricted	\$ 2,966,120	\$ 645,621	\$ 976	\$ (1,540,055)	\$ 2,072,662

City of Wyandotte, Michigan

		Program Revenues
	Expenses	Charges for Services
Functions/Programs		
Tax Increment Finance Authorities - Consolidated governmental activities:		
Community and economic development	\$ 6,699,837	\$ -
Debt service	131,357	-
Total tax increment finance authorities - Consolidated	6,831,194	-
Tax Increment Finance Authorities - Downtown governmental activities:		
Community and economic development	1,333,455	15,691
Debt service	41,545	-
Total tax increment finance authorities - Downtown	1,375,000	15,691
Downtown Development Authority	-	-
Brownsfield Redevelopment Authority - Governmental activities:		
Community and economic development	181,372	-
Debt service	11,130	-
Total Brownfield Redevelopment authority	192,502	-
Total governmental activities	\$ 8,398,696	\$ 15,691
General revenues:		
Property taxes		
Unrestricted investment income		
Miscellaneous		
Total general revenues		
Sale of Fixed Assets		
Change in Net Assets		
Net Assets (Deficit) - Beginning of year		
Net Assets (Deficit) - End of year		

Component Units
Statement of Activities
Year Ended September 30, 2006

Net (Expense) Revenue and Changes in Net Assets				
Tax Increment Finance Authorities - Consolidated	Tax Increment Finance Authorities - Downtown	Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (6,699,837)	\$ -	\$ -	\$ -	\$ (6,699,837)
(131,357)	-	-	-	(131,357)
(6,831,194)	-	-	-	(6,831,194)
-	(1,317,764)	-	-	(1,317,764)
-	(41,545)	-	-	(41,545)
-	(1,359,309)	-	-	(1,359,309)
-	-	-	-	-
-	-	-	(181,372)	(181,372)
-	-	-	(11,130)	(11,130)
-	-	-	(192,502)	(192,502)
(6,831,194)	(1,359,309)	-	(192,502)	(8,383,005)
5,121,277	818,782	297	68,605	6,008,961
339,879	88,837	149	240	429,105
110,096	1,968	-	-	112,064
5,571,252	909,587	446	68,845	6,550,130
572,845	314,546	-	-	887,391
(687,097)	(135,176)	446	(123,657)	(945,484)
3,653,217	780,797	530	(1,416,398)	3,018,146
\$ 2,966,120	\$ 645,621	\$ 976	\$ (1,540,055)	\$ 2,072,662

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Wyandotte, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Wyandotte, Michigan:

Reporting Entity

The City of Wyandotte, Michigan is governed by an elected six-member council and the mayor. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Wyandotte Building Authority is governed by a three-member board that is appointed by the mayor with City Council approval. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units - The following component units are reported within the component unit column to emphasize that they are legally separate from the City:

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the mayor with approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the six-square mile boundary of the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a nine-member board that is appointed by the mayor and confirmed by the City Council.

The Tax Increment Finance Authorities (TIFAs) were created to preserve and continuously improve the areas within the TIFA districts. The Consolidated Development Area TIFAs governing body and Downtown Development Area TIFAs governing body, which consist of nine and 11 individuals, respectively, are selected by the mayor with approval by the City Council.

Note I - Nature of Business and Significant Accounting Policies (Continued)

The Economic Development Corporation (EDC) was created to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises in their efforts to operate within the City. The EDC's governing body, which consists of nine individuals, is selected by the mayor with approval by the City Council. There was no financial activity related to the EDC in the current year.

Separate financial statements for the above discretely presented component units are not prepared.

Jointly Governed Organizations - Jointly governed organizations are discussed in Note 7.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted revenues.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund and is used to provide for basic services including the following functions: legislative, judicial, elections, tax collection, property assessment, administration, public safety, engineering, public works, recreation, cultural, and planning. This fund accounts for all financial resources of the general government other than those required to be accounted for in another fund.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Major Streets Fund - The Major Streets Fund accounts for the construction, maintenance, and operation of the major street system within the city limits. A major street usually exhibits higher traffic volumes than local streets and typically leads to urban collectors (Wayne County or State roads). This fund accounts for the financial resources derived from the state gas and weight tax revenues that are restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the construction and maintenance of the local street system within the city limits. A local street is typically not used for trip destination but rather to access living dwellings or other local establishments. This fund accounts for the financial resources derived from the state gas and weight tax revenues that are restricted for use on local streets.

Solid Waste Disposal Fund - The Solid Waste Disposal Fund accounts for services to provide for solid waste pickup and disposal for city residents and businesses, including recycling efforts. It is funded primarily through the millage rate levied on the tax bills and various user charges.

The City reports the following major proprietary funds:

Electric Fund - The Electric Fund accounts for the activities of providing electric services to the residents (and businesses) of the City.

Water Fund - The Water Fund accounts for the activities of the water distribution system.

Cable Television Fund - The Cable Television Fund accounts for the activities of providing cable services (and Internet) to the residents (and businesses) of the City.

Sewage Disposal Fund - The Sewage Disposal Fund accounts for the operations, maintenance, and improvements to the sewage disposal system in the city. Operations are primarily funded through user charges.

Golf Course Fund - The Golf Course Fund accounts for the operations of Wyandotte Shores Golf Course.

Building Rental Fund - The Building Rental Fund accounts for the operations of the commercial building located at 3200 Biddle Avenue.

Additionally, the City reports the following internal service and fiduciary activities:

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the City's defined benefit pension plan. The plan accumulates resources for pension benefit payments to qualified employees.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Agency Fund - The Agency Fund accounts for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments. The City's Internal Service Fund has been established to account for insurance costs associated with the City's participation in the Michigan Municipal League for costs associated with workers' compensation, general liability, the self-insured portion of active employee health insurance, and retiree health insurance coverage. The Internal Service Fund is used to account for current coverage and to provide reserves for future catastrophic claims.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for such activity between the governmental and business-type funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales, rentals, and services. The Water and Sewer Disposal Funds also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed on August 1 of the following year, are due on September 30, become a lien on December 1, and have a final collection date of February 28 before they are added to the county tax rolls.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Property taxes billed on August 1 will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at September 30.

The 2005 taxable valuation of the City totaled \$770,922,787 (a portion of which has been abated or resides in special tax districts), on which taxes levied consisted of 12.1193 mills for operating purposes, 2.5303 mills for debt service, 2.5303 mills for garbage and rubbish services, and 1.3208 mills for the sewer judgment levy. In addition, the City levied 1.4993 mills to support drain operation and maintenance. The City has attempted, but has been unable to identify the statutory or constitutional provisions that authorize the levy of this millage. The above levies resulted in approximately \$7,284,000 for operating purposes, \$1,103,000 for debt service, \$1,498,000 for garbage and rubbish services, \$644,000 for drain operation and maintenance, and \$576,000 for the sewer judgment levy. These amounts are recognized in the respective General Fund, Special Revenue Fund, Debt Service Fund, Enterprise Fund, and component unit financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Real estate inventories in the Special Revenue Funds and component units are valued at the lower of cost (specific identification, including demolition cost) or market. Inventories of the remaining governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories of the Enterprise Funds are stated at the lower of cost, determined by the average cost method for general inventory and determined by the first-in, first-out method for coal inventory, or market. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Unspent bond proceeds of the Capital Projects Fund are required to be set aside for construction. These amounts have also been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Assets are depreciated using the straight-line method over the following useful lives:

Roads and other infrastructure	20 to 25 years
Sidewalks	10 to 60 years
Distribution systems	8 to 50 years
Utility plant and treatment facilities	17 to 35 years
Buildings and building improvements	40 to 50 years
Land improvements	20 to 50 years
Vehicles	4 to 8 years
Machinery and equipment	3 to 35 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees may receive payment of the accumulated sick leave and vacation balance at the rate determined by union contracts, which vary from unit to unit. A liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note I - Nature of Business and Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Significant Customers - The City has the following customers that represent significant amounts of operating revenue for the year ended September 30, 2006:

	Electricity Fees	Water Fees	Sewage Fees	Property Taxes
BASF Corporation	18 %	12 %	24 %	10 %
Wayne County	7 %	4 %	- %	- %
Electric Fund	- %	2 %	- %	- %
Wyandotte Hospital	4 %	2 %	- %	- %

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at October 1, 2005		\$	(473,990)
Current year permit revenue			655,238
Related expenses:			
Direct costs	\$	172,269	
Estimated indirect costs		445,078	617,347
Current year surplus			<u>37,891</u>
Cumulative shortfall at September 30, 2006		\$	<u>(436,099)</u>

Accumulated Deficit - The City has an accumulated deficit in the Brownfield Redevelopment Authority Component Unit. The deficit will be eliminated through the receipt of future tax captures.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 3 - Deposits and Investments (Continued)

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that has offices in Michigan, and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, interlocal agreements and investment pools, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$26,922,427 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$1,794,827 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury bills	\$ 473,656	2.05 years
U.S. Federal Agency	603,172	1.49 years
U.S. Treasury bills (pension)	7,732,114	12.10 years
U.S. Federal Agency (pension)	5,685,188	10.02 years
Corporate bonds and notes (pension)	8,269,921	30.13 years
Foreign corporate bonds and notes (pension)	146,616	20.76 years
Foreign government obligations (pension)	6,212,289	4.47 years

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
General government	\$ 6,032,674	AAA	S&P
	100,432	AA+	S&P
	410,579	AA	S&P
	600,068	AA-	S&P
	2,516,153	A+	S&P
	1,717,167	A	S&P
	1,153,148	A-	S&P
	258,316	BBB+	S&P
	127,816	BBB	S&P
	76,727	BBB-	S&P
	728,609	B+	S&P
	86,905	B	S&P
	390,466	B-	S&P
	96,756	C	S&P
	361,848	AAA	Moody's
	43,033,610	Aaa	Moody's
	16,644,939	N/A	Unrated
Component units	8,101,153	Aaa	Moody's

Note 3 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system does not restrict the amount of investments in foreign currency. The following deposits and securities are subject to foreign currency risk:

<u>Country</u>	<u>Fair Value of Bonds in U.S. Dollars</u>
Canadian dollar	\$ 1,469,632
Euro currency	1,046,774
Australian dollar	959,883
Polish zloty	608,027
Singapore dollar	587,790
Swedish krona	577,873
South African rand	263,098
New Zealand dollar	163,044
Various	536,166

Public Act 314 of 1965, as amended in Public Act 485 in 1996, limits foreign holdings in retirement systems to 20 percent of system assets. The foreign holdings in the City's retirement system accounted for approximately 28 percent of total system assets at September 30, 2006.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental and Enterprise Funds and component units also defer revenue recognition in connection with resources that have been received but not yet earned.

The deferred revenue in the Enterprise Fund and component units represents monies collected in the current fiscal year for taxes levied in August 2006 that will finance next year's operations.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 4 - Deferred Revenue (Continued)

At the end of the current fiscal year, the various components of deferred revenue in the governmental funds are as follows:

	Unavailable - Governmental Activities	Unearned - Governmental Activities	Unearned - Business-type	Unearned - Component Units
Delinquent property taxes	\$ 145,651	\$ -	\$ -	\$ -
Special assessments	793,421	-	-	-
ALS revenues	252,467	-	-	-
Property tax receipts for fiscal year 2007	-	12,756,522	-	4,001,222
Grants receivable	149,964	-	-	-
Other	204,201	-	147,922	-
Grants received prior to meeting all eligibility requirements	-	70,223	-	-
Total	<u>\$ 1,545,704</u>	<u>\$ 12,826,745</u>	<u>\$ 147,992</u>	<u>\$ 4,001,222</u>

Note 5 - Bond Issuance Costs

During the years ended September 30, 2005 and 2002, the Department of Municipal Services incurred bond issuance costs in the amount of \$517,983 and \$931,515, respectively. The 2005 bond issuance costs related to new debt issuances (Series 2005A and 2005B) and the 2002 bond issuance costs related to the 2002 revenue refunding bonds. Amortization expense for the 2002 revenue refunding amounted to \$62,100 for the year ended September 30, 2006. Amortization expense for the 2005 revenue bonds amounted to \$37,848 for the year ended September 30, 2006.

Note 6 - Land Held for Resale

The inventory in the Special Revenue Funds and component units consists of real property purchased for resale. The City purchases the property, demolishes the structure, if any, and resells the property for commercial or residential development. Inventory costs include the costs of land, existing structures, and demolition. Generally, the acquisition cost of inventory is substantially higher than its fair market value after demolition and site clearing. At September 30, 2006, inventory had a cost of \$705,160 and \$9,609,797 and a fair market value of \$123,007 and \$847,005 in the Special Revenue Funds and component units, respectively. Included in capital outlay and other expenses of the current year, was a provision of \$34,960 and \$235,581 to record inventory at the lower of cost or market value in the Special Revenue Funds and component units, respectively. In the current year sales of select properties within the component units resulted in gains on sale of fixed assets of \$887,391.

Note 7 - Joint Ventures

Southgate-Wyandotte Drainage District

The City is a member of the Southgate-Wyandotte Drainage District, a joint venture with the City of Southgate that provides drainage services to the residents of Southgate and Wyandotte. The venture is administered by the Wayne County Drainage Board. The City paid approximately \$1,458,000 to Wayne County during the year for operation and maintenance.

The City of Wyandotte has approximately a 51 percent interest in the venture. The operations of the fund will be financed through assessments to the participating cities, Wayne County, and the State of Michigan. The City is aware that over the next several years there are preliminary plans for significant system improvements to take place. The City's equity interest in the venture in the amount of \$1,740,000 has been recorded in the government-wide statement of net assets at September 30, 2006.

Downriver Sewage Disposal System

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Sewage Disposal Fund. During the year, the City paid \$1,881,000 for operations of the system and \$643,000 for debt service. The City is aware that over the next several years there are preliminary plans for significant system improvements to take place. Currently, it is the plan for those improvements to be funded through an increase to the system charge currently in place. The City is not aware of any other circumstances that would cause an additional benefit or burden to the participating governments in the near future, except as discussed in Note 15. The City's equity interest in the venture in the amount of \$660,000 has been recorded in the proprietary and government-wide statements of net assets at September 30, 2006. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 8 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance October 1, 2005	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2006
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 18,135,929	\$ -	\$ -	\$ -	\$ 18,135,929
Construction in progress	-	-	3,290,720	-	3,290,720
Subtotal	18,135,929	-	3,290,720	-	21,426,649
Capital assets being depreciated:					
Roads and other infrastructure	64,171,672	-	3,299,301	-	67,470,973
Sidewalks	33,524,719	-	501,644	-	34,026,363
Land improvements	5,141,060	-	9,100	-	5,150,160
Buildings and improvements	6,920,064	-	-	-	6,920,064
Machinery, equipment, and vehicles	10,406,517	-	379,012	(144,051)	10,641,478
Subtotal	120,164,032	-	4,189,057	(144,051)	124,209,038
Accumulated depreciation:					
Roads and other infrastructure	43,085,413	-	2,869,294	-	45,954,707
Sidewalks	19,878,927	-	1,249,016	-	21,127,943
Land improvements	2,303,365	-	186,291	-	2,489,656
Buildings and improvements	2,660,812	-	127,704	-	2,788,516
Machinery, equipment, and vehicles	6,648,551	-	678,664	(115,783)	7,211,432
Subtotal	74,577,068	-	5,110,969	(115,783)	79,572,254
Net capital assets being depreciated	45,586,964	-	(921,912)	(28,268)	44,636,784
Net capital assets	\$ 63,722,893	\$ -	\$ 2,368,808	\$ (28,268)	\$ 66,063,433

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 8 - Capital Assets (Continued)

Business-type Activities	Balance October 1, 2005	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2006
Capital assets not being depreciated:					
Land	\$ 145,000	\$ -	\$ -	\$ -	\$ 145,000
Construction in progress	2,238,746	(2,107,660)	3,759,017	-	3,890,103
Subtotal	2,383,746	(2,107,660)	3,759,017	-	4,035,103
Capital assets being depreciated:					
Utility plant	92,725,138	1,827,660	1,734,718	-	96,287,516
Transmission	5,797,768	-	-	-	5,797,768
Pumping	3,149,582	-	31,794	-	3,181,376
Purification	3,752,785	-	399,929	(880)	4,151,834
Distribution	43,466,012	280,000	39,340	(29,591)	43,755,761
Transportation	1,576,251	-	4,658	-	1,580,909
Stores	777,546	-	1,992	-	779,538
Cable equipment	1,179,799	-	65,750	-	1,245,549
Studio	472,895	-	-	-	472,895
General	3,127,883	-	620,121	-	3,748,004
Buildings	4,154,718	-	-	-	4,154,718
Land improvements	2,937,427	-	-	-	2,937,427
Equipment and fixtures	1,225,258	-	2,804	-	1,228,062
Sewer lines	11,570,121	-	285,691	-	11,855,812
Subtotal	175,913,183	2,107,660	3,186,797	(30,471)	181,177,169
Accumulated depreciation:					
Utility plant	55,029,048	-	3,530,905	-	58,559,953
Transmission	4,295,868	-	161,656	-	4,457,524
Pumping	1,936,845	-	136,730	-	2,073,575
Purification	2,986,318	-	102,655	-	3,088,973
Distribution	28,328,109	-	1,280,684	(880)	29,607,913
Transportation	1,171,390	-	90,429	(29,591)	1,232,228
Stores	579,445	-	40,670	-	620,115
Cable equipment	692,940	-	138,052	-	830,992
Studio	426,291	-	12,943	-	439,234
General	2,445,737	-	78,254	-	2,523,991
Buildings	667,725	-	105,143	-	772,868
Land improvements	586,500	-	58,748	-	645,248
Equipment and fixtures	801,534	-	84,206	-	885,740
Sewer lines	953,638	-	231,562	-	1,185,200
Subtotal	100,901,388	-	6,052,637	(30,471)	106,923,554
Net capital assets being depreciated	75,011,795	2,107,660	(2,865,840)	-	74,253,615
Net capital assets	\$ 77,395,541	\$ -	\$ 893,177	\$ -	\$ 78,288,718

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 8 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 4,322,004
Public safety	324,037
Public works	254,578
Recreation and culture	210,350
Total governmental activities	<u>\$ 5,110,969</u>

Business-type activities:

Electric	\$ 4,524,536
Water	508,659
Cable television	497,416
Sewage disposal	273,929
Golf course	130,735
Building rental	117,362
Total business-type activities	<u>\$ 6,052,637</u>

Construction Commitments - The City has active construction projects at year end. Commitments with contractors, in which the City expects to utilize bond proceeds, are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Automated meter reading system	\$ 336,905	\$ 2,495,270
Yack Arena improvements	<u>2,730,267</u>	<u>1,098,970</u>
Total	<u>\$ 3,067,172</u>	<u>\$ 3,594,240</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 34,022
	Major Streets Fund	476
	Other governmental funds	60,775
	Total General Fund	95,273
Major Streets Fund	Local Streets Fund	884
Solid Waste Disposal Fund	General Fund	1,684,058
	Water Fund	65,393
	Total Solid Waste Disposal Fund	1,749,451
Other governmental funds	General Fund	2,152,408
	Building Rental Fund	342,380
	Other governmental funds	18,400
	Total other governmental funds	2,513,188
Electric Fund	Water Fund	10,582
	Cable Television Fund	41,174
	Total Electric Fund	51,756
Water Fund	Electric Fund	809,409
Cable Television Fund	Electric Fund	83,480
	Water Fund	20,000
	Total Cable Television Fund	103,480
Sewage Disposal Fund	General Fund	575,652
	Water Fund	482,386
	Total Sewage Disposal Fund	1,058,038
Internal Service Fund	General Fund	5,265,441
Tax Increment Financing Authority Fund - Consolidated	Brownfield Redevelopment Authority	5,391
	Total	\$ 11,652,311

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 9 - Interfund Receivables, Payables, and Transfers (Continued)

Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	Building Rental Fund	\$ 821,884

Due to/from Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
Tax Increment Finance Authorities - Consolidated	General Fund	\$ 1,264,679
	Solid Waste Disposal	6,475
	Other governmental funds	297,667
	Total General Fund	1,568,821
Tax Increment Finance Authorities - Downtown	General Fund	368,997
	Solid Waste Disposal	47,222
	Other governmental funds	29,770
	Total Tax Increment Finance Authorities - Downtown	445,989
	Total	\$ 2,014,810

Advances from/to Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
Self Insurance Fund	Brownfield Redevelopment Authority	\$ 279,088
Other governmental funds	Brownfield Redevelopment Authority	990,946
	Total	\$ 1,270,034

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 9 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Amount</u>
Local Streets Fund	Major Streets Fund	\$ 291,436
Other governmental funds	General Fund	1,102,859
Sewage Disposal Fund	General Fund	575,652
Internal Service Fund	General Fund	<u>1,350,000</u>
	Total	<u>\$ 4,589,981</u>

The transfer from the General Fund to the Sewage Fund was to pay the annual debt service for the court-ordered improvements to the Wyandotte wastewater treatment plant. The funds were derived from the judgment levy on the property tax bills. The transfer to other governmental funds was primarily to pay the annual debt service for the Department of Public Services facility bonds and the debt service for the installment purchase agreement for the fire aerial truck. These funds are derived through tax levies. The transfer between the City's two street funds was to redistribute ACT 51 revenue from the Major Streets Fund to the Local Streets Fund, where the funds were then spent. The transfer from the General Fund to the Internal Service Fund was to provide reserves for future claims.

Note 10 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 10 - Long-term Debt (Continued)

Description	Amount
Governmental Activities:	
<u>General Obligations:</u>	
1999 Building Authority Bonds, issued for \$5,000,000, with interest from 3.75% to 5.75%, maturing in 2013	\$ 3,200,000
2006 Capital Improvement Bonds for public safety, recreation and culture, and court improvements, issued for \$9,495,000, with interest from 4.00% to 4.25%, maturing in 2025	9,495,000
2006 Bank One purchase installment for technology improvements, issued for \$500,000, with interest of 4.28%, maturing in 2011	475,000
Total Governmental Activity debt	<u>\$ 13,170,000</u>

Description	Amount
Business-type Activities:	
<u>General Obligations:</u>	
1998 Cable Television purchase installment, issued for \$3,994,031, with interest of 4.16%, maturing in 2011	\$ 1,916,531
2000 Building Rental purchase installment, issued for \$995,000, with interest of 8.06%, maturing in 2010	446,895
Downriver Sewage Disposal System bonds, twelve issues totaling \$20,499,705, with interest from 1.625% to 5.00%, maturing from 2016 to 2026	7,458,843
Subtotal	<u>9,822,269</u>

<u>Revenue Bonds:</u>	
1992 Electric Revenue Refunding Bonds, net of unamortized discount and deferred refunding credit, issued for \$61,185,000, with interest of 6.25%, maturing in 2009	7,660,000
2002 Electric Revenue Refunding Bonds, net of unamortized premium and deferred refunding credit, issued for \$31,990,000, with interest from 3.25% to 5.38%, maturing in 2018	30,225,370
2005A Electric Revenue Bonds, issued for \$6,104,826, with interest from 3.25% to 5.00%, maturing in 2016	6,094,338
2005B Electric Revenue Bonds, issued for \$7,489,013, with interest from 3.50% to 4.50%, maturing in 2025	7,488,269
Less amounts payable from restricted assets	<u>(3,315,000)</u>
Subtotal	<u>48,152,977</u>
Total business-type activity debt	<u>\$ 57,975,246</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 10 - Long-term Debt (Continued)

Description	Amount
Component Units:	
General Obligations:	
1999 Brownfield Revitalization Loan, issued for \$944,000, with interest of 2.25%, maturing in 2015	\$ 761,935
2006 Brownfield Redevelopment Loan, issued for \$89,735, with interest of 3.50%, maturing in 2011	75,854
Subtotal	<u>\$ 837,789</u>
Revenue Bonds:	
1992 Limited Tax Development Refunding Bonds, issued for \$11,940,000, with interest from 6.25% to 6.8%, maturing in 2010	\$ 1,910,000
1992 Downtown Development Refunding Bonds, issued for \$4,030,000, with interest from 6.20% to 6.25%, maturing in 2009	890,000
Subtotal	<u>2,800,000</u>
Total component unit activity debt	<u>\$ 3,637,789</u>

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligations	\$ 3,650,941	\$ 9,995,000	\$ (475,941)	\$ 13,170,000	\$ 550,000
Business-type Activities					
General obligations	\$ 10,217,683	\$ 538,200	\$ (933,614)	\$ 9,822,269	\$ 976,239
Revenue bonds	53,935,885	-	(2,467,908)	51,467,977	3,635,000
Less portion payable from restricted assets	(2,565,000)	-	(750,000)	(3,315,000)	(160,000)
Total	<u>\$ 61,588,568</u>	<u>\$ 538,200</u>	<u>\$ (4,151,522)</u>	<u>\$ 57,975,246</u>	<u>\$ 4,451,239</u>
Component Units					
General obligations	\$ 837,556	\$ 89,735	\$ (89,502)	\$ 837,789	\$ 92,029
Revenue bonds	3,560,000	-	(760,000)	2,800,000	740,000
Total	<u>\$ 4,397,556</u>	<u>\$ 89,735</u>	<u>\$ (849,502)</u>	<u>\$ 3,637,789</u>	<u>\$ 832,029</u>

Total interest expense for the year was approximately \$3,300,000.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 10 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 550,000	\$ 445,306	\$ 995,306	\$ 4,451,239	\$ 2,637,157	\$ 7,088,396	\$ 832,029	\$ 189,374	\$ 1,021,403
2008	600,000	514,489	1,114,489	4,643,345	2,410,682	7,054,027	904,631	137,757	1,042,388
2009	850,000	488,459	1,338,459	4,705,190	2,161,633	6,866,823	882,310	84,833	967,143
2010	900,000	452,378	1,352,378	4,821,667	1,986,371	6,808,038	565,066	42,468	607,534
2011	1,020,000	413,686	1,433,686	4,916,631	1,807,082	6,723,713	96,223	10,356	106,579
2012-2016	3,950,000	1,528,000	5,478,000	26,109,199	5,789,429	31,898,628	357,530	20,335	377,865
2017-2021	2,800,000	820,850	3,620,850	7,958,772	908,942	8,867,714	-	-	-
2022-2026	2,500,000	317,000	2,817,000	2,026,226	128,564	2,154,790	-	-	-
*	-	-	-	(1,657,023)	-	(1,657,023)	-	-	-
Total	\$ 13,170,000	\$ 4,980,168	\$ 18,150,168	\$ 57,975,246	\$ 17,829,860	\$ 75,805,106	\$ 3,637,789	\$ 485,123	\$ 4,122,912

* Less unamortized discount/premiums on bonds payable and deferred refunding charges.

Electric Fund Revenue Bonds

The 1992 and the 2002 Electric Revenue Refunding bonds are payable out of the net revenue of the Electric Fund. The City has no liability for these bonds if the net revenue pledged should prove insufficient.

An agreement has been entered into with BASF for steam service related to the 2005 Revenue Bonds. This agreement provides for reimbursement to the department for one-half of the principal and associated interest of the 2005 Electric Revenue Bonds (Series A) actually used by the department to fund the construction of the Steam Expansion Project through 2010.

The revenue bond ordinance contains certain covenants and provisions that, among other matters, relate to the following:

- Segregation of proceeds of the revenue bond issue
- Segregation of Electric Fund revenue
- Segregation of assets for debt service payments
- Segregation of assets for construction of improvements to the system
- Periodic transfers of net revenue to those funds segregated for debt service payments
- Sale, lease, or other disposition of all or any substantial part of the system
- Establishment of rates sufficient to provide for required level of debt service coverage
- Adoption of, and adherence to, budgeted operation and maintenance expenses

Included in the current assets of the Electric Fund at September 30, 2006 is approximately \$255,000 earmarked for future repairs of the system pursuant to the ordinance. Also included in the current liabilities of the Electric Fund at September 30, 2006 is that portion of the bond principal that was to be transferred within the next year to the Bond Interest and Redemption Fund for payment of bond principal.

Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for claims related to medical benefits and participates in a general liability insurance plan with the Michigan Municipal League. The City is partially uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

General Liability - The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Currently, the plan limits the City's maximum loss to \$20,000 per occurrence. Losses in excess of these limitations are insured up to \$5,000,000 per occurrence and are uninsured above that level.

Workers' Compensation - The City (including the Department of Municipal Services) is partially uninsured for workers' compensation claims. The terms of the plan are subject to change each policy period. Subsequent to May 31, 1986, there is no aggregate insurance coverage limit. All claims are insured for the per occurrence exposure between the deductible as of May 31, 1986 of \$300,000 (\$400,000 and \$850,000 as of June 1, 1990 and 2002, respectively) and the policy limits equal to State statutory requirements.

The City estimates the liability for general liability, which includes workers' compensation claims, and the Department of Municipal Services estimates the liability for workers' compensation claims in the Enterprise Funds that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
Self-insurance Fund		
Estimated liability - Beginning of year	\$ 1,015,395	\$ 904,692
Incurred claims (including claims incurred but not reported)	237,798	421,938
Claim payments and changes in estimates	(360,896)	(311,235)
Estimated liability - End of year	<u>\$ 892,297</u>	<u>\$ 1,015,395</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 11 - Risk Management (Continued)

	2006	2005
Department of Municipal Services		
Estimated liability - Beginning of year	\$ 556,696	\$ 562,296
Incurring claims (including claims incurred but not reported)	(87,301)	(21,823)
Claim payments and changes in estimates	38,224	16,223
Estimated liability - End of year	<u>\$ 507,619</u>	<u>\$ 556,696</u>

Note 12 - Restricted Assets and Restricted and Designated Fund Balance/Net Assets

The balances for the restricted asset accounts are as follows:

	Construction	Electric	Water	Cable	Total
Unspent bond proceeds and related interest	\$ 6,535,277	\$ 3,543,689	\$ -	\$ -	\$ 10,078,966
Debt service	-	9,337,027	-	1,045,424	10,382,451
Capital improvements	-	1,160,504	-	-	1,160,504
Retiree health care	-	780,704	155,893	155,893	1,092,490
Total	<u>\$ 6,535,277</u>	<u>\$ 14,821,924</u>	<u>\$ 155,893</u>	<u>\$ 1,201,317</u>	<u>\$ 22,714,411</u>

In addition, the current liability payable from restricted assets for the Electric Fund includes \$1,290,454 for interest and \$3,315,000 for bond principal payable.

The Electric Fund assets restricted for debt service are pursuant to the 1992 revenue bond ordinance for revenue bond debt service. In conjunction with the bond ordinance, the Commission passed a resolution to reserve retained earnings in the Electric Fund of \$4,679,010, which represents 125 percent of the average annual debt service requirement for all outstanding bonds.

Assets have also been restricted in the Electric Fund for future capital improvements and to assist in paying future bond principal and interest payments pursuant to a resolution approved by the Commission.

Assets have been restricted in the Cable Fund to assist in paying future principal and interest payments on the installment purchase contract.

In the Electric, Water, and Cable Funds, monies have been restricted to pay future retiree health care costs, pursuant to a resolution approved by the Commission.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 12 - Restricted Assets and Restricted and Designated Fund Balance/Net Assets (Continued)

Portions of net assets of the Enterprise Funds have been restricted for the following purposes at September 30, 2006:

	Electric	Water	Cable	Total
Debt service	\$ 8,046,573	\$ -	\$ 1,045,424	\$ 9,091,997
Capital improvements	1,160,504	-	-	1,160,504
Retiree health care	780,704	155,893	155,893	1,092,490
Total	<u>\$ 9,987,781</u>	<u>\$ 155,893</u>	<u>\$ 1,201,317</u>	<u>\$ 11,344,991</u>

Note 13 - Defined Benefit Pension Plan

Plan Description - The Employees' Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Wyandotte Employees' Retirement System. This plan covers substantially all full-time general employees hired prior to October 1, 1999, all union (AFSCME) general members hired prior to April 1, 2000, all union (IAFF) fire fighters hired prior to October 1, 2000, all police and fire dispatchers hired prior to July 1, 2001, and Department of Municipal Services employees. The plan also covers all full-time police employees hired prior to February 1, 1999. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At September 30, 2005, the date of the most recent actuarial valuation, membership consisted of 276 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 178 current active employees. The plan does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for the employees was established by negotiation with the City's collective bargaining units and requires no contribution from the employees, except for certain police officers who are members of the patrol and command bargaining units. As of March 1, 1999 for patrol members and February 1, 2001 for command members, all eligible police officers that were hired after October 1, 1982 but prior to February 1, 1999 are required to contribute 5 percent of their qualified wages to the plan. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2006

Note 13 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended September 30, 2006, the City's annual pension cost of \$2,738,989 for the plan was equal to the required and actual contribution. The annual pension costs consist of contributions from Municipal Service of \$657,324 and transfers from the endowment reserves of \$2,081,665. The annual required contribution was determined as part of an actuarial valuation at September 30, 2004, using the entry actual age cost method for Municipal Service and the aggregate method for General and Police and Fire divisions. Significant actuarial assumptions used include: (i) a 7.5 investment rate of return and (ii) projected salary increases of 4.5 percent to 9.6 percent per year, which include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis.

The remaining amortization period is 11 years and 20 years for the Municipal Service and General and Police and Fire divisions, respectively.

Reserves - As of September 30, 2006, the plan's contribution, retirement benefit payments, and Special Retirement Fund reserves have been fully funded as follows:

Legally required reserves:

Reserve for employees' contributions	\$ 676,189
Reserve for retired benefit payments	48,246,933

Additional reserves:

Reserve for employer contributions	14,015,732
Reserve for Special Retirement Fund	401,016
Reserve for retiree health benefits	704,428
Reserve for endowment	6,748,508

Total reserves	<u>\$ 70,792,806</u>
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	2004	2005	2006
Annual pension costs (APC)	\$ 2,285,116	\$ 2,722,324	\$ 2,738,989
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 14 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code for the following employees:

- Police patrol officers hired on or after February 1, 1999
- Police command officers hired on or after February 1, 1999
- Nonunion administrative employees hired on or after October 1, 1999
- Nonunion administrative employees hired prior to October 1, 1999 who elected to transfer their accrued benefits from the defined benefit plan
- Technical, clerical, and AFSCME local 894 members hired on or after April 1, 2000
- Wyandotte firefighters IAFF local 346 members hired on or after October 1, 2000
- Police and fire dispatchers hired on or after July 1, 2001
- Police and fire dispatchers hired prior to July 1, 2002 who elected to transfer their accrued benefits from the defined benefit plan

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Investments are managed by a third party, and investment decisions are made by the individual employees. As established by the City of Wyandotte through collective bargaining agreements, the City and the employees contribute a percentage of employees' qualified earnings in the amount of 10 percent and 5 percent, respectively.

The employee contribution percentages noted above represent the required contribution. Employees are not permitted to contribute additional amounts. The City withholds from the employee earnings and remits to the plan each pay period. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service.

In accordance with the above requirements, the City contributed approximately \$286,000 during the current year, and the employees contributed approximately \$143,000.

Note 15 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to a point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability at September 30, 2006.

Note 15 - Contingent Liabilities (Continued)

The City was named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. The estimated total cost of the projects is approximately \$324,000,000, with the City's share estimated to be approximately \$11,000,000, which approximates total expenditures to date. The City has issued approximately \$11,000,000 in debt to fund this project. In addition, approximately \$20,000,000 of completion and capital improvement bonds will be issued in 2007, with the City's share estimated to be approximately \$2,000,000. The City may have other significant sewer commitments under the Clean Water Act; the amount of these commitments cannot presently be determined.

Note 16 - Other Postemployment Benefits

The City provides postemployment health care benefits to nearly all employees upon retirement in accordance with labor contracts. Currently, 276 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$2,134,000, of which \$1,698,000 and \$436,000 was paid by the Employees' Retirement System and the Enterprise Funds, respectively. In the current year, the General Fund transferred \$2,000,000 to the reserve for retiree health benefits within the pension system.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009.

Note 17 - Long-term Receivable

During the current year, the Department of Municipal Services entered into an agreement with a customer related to the construction of an asset. Under the terms of the agreement, the Department used proceeds from the 2005A Revenue Bonds to construct a steam line that will be used by the customer. The customer agreed to reimburse the Department for 50 percent of the debt service costs of the bond. Varying monthly payments will be made by the customer through December 31, 2010. The Department has recorded accounts receivable and reduced the cost of the underlying asset for the principal reimbursements. Interest reimbursements are offset against interest expense when received. During the current year, the Department received \$360,000 from the customer; \$318,000 for debt principal reimbursements which reduced accounts receivable and \$42,000 for interest which reduced interest expense. At September 30, 2006, the outstanding balance related to this agreement is \$2,682,000, of which \$636,000 is included in current accounts receivable and \$2,046,000 is recorded as a long-term receivable.

Required Supplemental Information

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 9,473,354	\$ 9,473,354	\$ 9,690,716	\$ 217,362
Licenses and permits	434,640	434,640	531,419	96,779
State-shared revenue and grants	3,494,112	3,494,112	3,391,591	(102,521)
Other charges for services	2,863,052	2,942,752	3,054,819	112,067
Other fines and forfeitures	1,215,000	1,845,000	1,863,276	18,276
Investment income	187,000	650,000	678,179	28,179
Transfers out	(1,688,171)	(1,688,171)	(3,028,511)	(1,340,340)
Other revenue	2,151,024	2,625,157	2,791,230	166,073
Total revenue	18,130,011	19,776,844	18,972,719	(804,125)
Expenditures				
General government:				
Legislative	171,275	179,120	173,827	5,293
Judicial	839,129	933,722	910,246	23,476
Financial services and administration	341,561	346,549	341,364	5,185
General government	1,273,250	1,314,055	1,214,569	99,486
Assessor	167,457	206,479	199,736	6,743
City Clerk	243,870	263,084	260,029	3,055
Community relations	19,335	19,335	18,677	658
Treasurer	156,321	135,188	109,859	25,329
City commissions	26,583	27,055	23,539	3,516
Elections	43,904	43,904	29,222	14,682
Public safety:				
Police and civil defense	4,314,591	4,473,187	4,299,428	173,759
Fire	2,528,394	2,585,254	2,242,862	342,392
Public works:				
Engineering and D.P.S	998,046	1,008,119	899,713	108,406
Other public works activities	2,515,204	2,769,109	2,613,077	156,032
Recreation and culture:				
Recreation	525,880	534,071	492,429	41,642
Swimming pool	12,842	12,842	9,422	3,420
Yack Arena	424,324	427,987	362,664	65,323
Youth assistance	41,459	42,633	42,228	405
Historical commission	95,853	99,987	91,662	8,325
Other functions	3,386,418	4,081,665	4,081,665	-
Total expenditures	18,125,696	19,503,345	18,416,218	1,087,127
Net Change in Fund Balance	\$ 4,315	\$ 273,499	\$ 556,501	\$ 283,002

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 1,243,237	\$ 1,243,237	\$ 1,165,743	\$ (77,494)
Contribution from component unit	-	-	719,987	719,987
Investment income	10,000	25,000	34,948	9,948
Transfers out	(310,810)	(310,810)	(291,436)	19,374
Other revenue	79,000	79,000	73,407	(5,593)
Total revenue	1,021,427	1,036,427	1,702,649	666,222
Expenditures - Public works	1,031,500	1,321,106	1,640,586	(319,480)
Net Change in Fund Balance	<u>\$ (10,073)</u>	<u>\$ (284,679)</u>	<u>\$ 62,063</u>	<u>\$ 346,742</u>

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ -	\$ -	\$ 159,600	\$ 159,600
State-shared revenue and grants	460,559	460,559	431,706	(28,853)
Contribution from component unit	-	-	1,193,704	1,193,704
Investment income	5,000	11,000	15,721	4,721
Transfers in	310,810	310,810	291,436	(19,374)
Total revenue	776,369	782,369	2,092,167	1,309,798
Expenditures - Public works	680,000	720,000	1,928,760	(1,208,760)
Net Change in Fund Balance	\$ 96,369	\$ 62,369	\$ 163,407	\$ 101,038

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Disposal Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,495,689	\$ 1,495,689	\$ 1,493,329	\$ (2,360)
Other charges for services	286,388	279,388	322,059	42,671
Investment income	12,000	25,000	38,771	13,771
Total revenue	1,794,077	1,800,077	1,854,159	54,082
Expenditures - Public works	1,574,000	1,727,921	1,615,511	112,410
Net Change in Fund Balance	\$ 220,077	\$ 72,156	\$ 238,648	\$ 166,492

City of Wyandotte, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended September 30, 2006

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/00	\$ 59,693,454	\$ 65,871,242	\$ 6,177,788	90.6	\$ 12,120,752	51.0
9/30/01	58,154,932	66,253,096	8,098,164	87.8	10,773,220	75.2
9/30/02	57,402,504	68,250,392	10,847,888	84.1	10,902,873	99.5
9/30/03	57,557,323	73,253,459	15,696,136	78.6	10,730,847	146.3
9/30/04	57,814,081	72,165,278	14,351,197	80.1	10,428,270	137.6
9/30/05	58,988,538	79,228,316	20,239,778	74.5	9,654,771	209.6

* Using market value excluding health benefit, special retirement, and endowment reserves

The schedule of employer contributions is as follows:

Fiscal Year Ended	Municipal Service Contribution	Reclassification from Endowment Reserve **	Annual Required Contribution	Percentage Contributed (Percent)
9/30/01	\$ 447,954	\$ 1,564,375	\$ 2,012,329	100.0
9/30/02	437,575	1,652,101	2,089,676	100.0
9/30/03	444,947	1,638,469	2,083,416	100.0
9/30/04	488,459	1,796,657	2,285,116	100.0
9/30/05	925,667	1,796,657	2,722,324	100.0
9/30/06	657,324	2,081,665	2,738,989	100.0

** The endowment reserve represents prepaid employer contributions deposited by the City during the year ended September 30, 1990.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of September 30, 2005, the latest actuarial valuation, follows:

Actuarial cost method***	Entry age - Municipal services Aggregate - General and police and fire
Amortization method***	Level percent, closed
Remaining amortization period****	20 years - General and police and fire divisions 11 years - Municipal services division
Asset valuation method	4-year smoothed market

City of Wyandotte, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) Year Ended September 30, 2006

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	4.5% - 9.6%
Includes inflation at	4.5%

*** Effective with the September 30, 2003 valuation, the aggregate cost method was implemented for General and Police/Fire groups. The aggregate cost method will be phased in over the next four years. Note that the aggregate cost method does not create an actuarial accrued liability. As a result, the above schedules continue to show the entry age normal cost method liability.

City of Wyandotte, Michigan

Note to Required Supplemental Information Year Ended September 30, 2006

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)". All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by City Council.

The budget process is initiated in March, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize departmental appropriation requests and submit them to the mayor, on or before June 1. During the month of June, the mayor reviews the appropriation requests, meets with the departments, and puts together the budget. The budget is submitted to the City Council in early July. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than September 30.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	Budget Statement	Reimbursing Transfers from Other Funds	Operating Transfers	Operating Statement
General Fund:				
Total revenue	\$18,972,719	\$ (2,281,655)	\$ 3,028,511	\$ 19,719,575
Total expenditures	(18,416,218)	2,281,655	-	(16,134,563)
Other financing uses	-	-	(3,028,511)	(3,028,511)
Net change in fund balance	\$ 556,501	\$ -	\$ -	\$ 556,501
Major Streets Fund:				
Total revenue	\$ 1,702,649	\$ -	\$ 291,436	\$ 1,994,085
Total expenditures	(1,640,586)	-	-	(1,640,586)
Other financing uses	-	-	(291,436)	(291,436)
Net change in fund balance	\$ 62,063	\$ -	\$ -	\$ 62,063

City of Wyandotte, Michigan

Note to Required Supplemental Information Year Ended September 30, 2006

	Budget Statement	Reimbursing Transfers from Other Funds	Proceeds from the Sale of Assets	Operating Transfers	Operating Statement
Local Streets Fund:					
Total revenue	\$ 2,092,167	\$ -	\$ -	\$ (291,436)	\$ 1,800,731
Total expenditures	(1,928,760)	-	-	-	(1,928,760)
Other financing sources	-	-	-	291,436	291,436
Net change in fund balance	\$ 163,407	\$ -	\$ -	\$ -	\$ 163,407

During the year, the City of Wyandotte, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Major Streets Fund - Public Works	\$ 1,321,106	\$ 1,640,586
Local Streets Fund - Public Works	720,000	1,928,760

The variance in the Major and Local Streets Funds is due to the initiation of projects originally scheduled for 2007 in 2006 due to the earlier than anticipated availability of funding for the projects.

Other Supplemental Information

City of Wyandotte, Michigan

	Nonmajor Special Revenue Funds					
	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant	Grants	Public Improvement	Southgate-Wyandotte Drain O&M
Assets						
Cash and investments	\$ 389,350	\$ 172,176	\$ 517,172	\$ 123,350	\$ 120,382	\$ 2,628,597
Receivables - Net:						
Taxes	-	-	-	-	-	150,655
Special assessments	-	-	-	-	-	-
Accrued interest	224	-	-	-	-	3,494
Other	-	-	1,568	-	-	21,909
Due from other governmental units	-	-	60,000	182,794	-	-
Due from other funds	-	-	-	18,400	-	1,016,687
Advances to other funds	-	-	821,884	-	-	-
Land held for resale	-	-	78,770	-	44,237	-
Restricted assets	-	-	-	-	-	-
Note receivable	-	-	162,983	-	-	-
Advance to component unit	-	-	-	-	-	-
Total assets	<u>\$ 389,574</u>	<u>\$ 172,176</u>	<u>\$ 1,642,377</u>	<u>\$ 324,544</u>	<u>\$ 164,619</u>	<u>\$ 3,821,342</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 52,563	\$ 2,459	\$ 127	\$ 91,034	\$ 580	\$ 1,687,370
Due to component units	-	-	-	-	-	306,724
Due to other funds	-	1,684	-	58,909	-	-
Accrued liabilities and other	-	-	-	-	-	-
Deferred revenue	-	-	164,551	131,582	-	778,810
Total liabilities	52,563	4,143	164,678	281,525	580	2,772,904
Fund Balances						
Reserved for:						
Noncurrent receivables	-	-	821,884	-	-	-
Construction, debt service, and other	-	168,033	-	43,019	-	1,048,438
Unreserved, reported in:						
Special Revenue Funds	337,011	-	655,815	-	164,039	-
Total fund balances	337,011	168,033	1,477,699	43,019	164,039	1,048,438
Total liabilities and fund balances	<u>\$ 389,574</u>	<u>\$ 172,176</u>	<u>\$ 1,642,377</u>	<u>\$ 324,544</u>	<u>\$ 164,619</u>	<u>\$ 3,821,342</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Building Authority Improvement	EPA Cooperative Agreement	DPS Building Bonds	Construction	Total Nonmajor Governmental Funds
Sidewalk and Alley Paving	Special Events					
\$ 1,079,842	\$ 277,811	\$ 234,978	\$ -	\$ 313,380	\$ 1,191,224	\$ 7,048,262
18,189	-	-	-	-	-	168,844
740,424	-	-	-	-	-	740,424
-	1,483	-	-	-	27,685	32,886
10,726	5,319	7,953	-	-	-	47,475
-	-	-	9,054	-	-	251,848
32,862	-	342,380	-	1,102,859	-	2,513,188
-	-	-	-	-	-	821,884
-	-	-	-	-	-	123,007
-	-	-	-	-	6,535,277	6,535,277
-	-	-	-	-	-	162,983
-	-	-	990,946	-	-	990,946
\$ 1,882,043	\$ 284,613	\$ 585,311	\$ 1,000,000	\$ 1,416,239	\$ 7,754,186	\$ 19,437,024
\$ 56,036	\$ 36,691	\$ 5,388	\$ -	\$ -	\$ 1,006,226	\$ 2,938,474
-	20,713	-	-	-	-	327,437
-	18,582	-	-	-	-	79,175
-	-	-	-	-	22,566	22,566
767,590	-	7,953	9,055	-	-	1,859,541
823,626	75,986	13,341	9,055	-	1,028,792	5,227,193
-	-	-	-	-	-	821,884
-	-	-	990,945	1,416,239	6,725,394	10,392,068
1,058,417	208,627	571,970	-	-	-	2,995,879
1,058,417	208,627	571,970	990,945	1,416,239	6,725,394	14,209,831
\$ 1,882,043	\$ 284,613	\$ 585,311	\$ 1,000,000	\$ 1,416,239	\$ 7,754,186	\$ 19,437,024

City of Wyandotte, Michigan

	Nonmajor Special Revenue Funds					
	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant	Grants	Public Improvement	Southgate- Wyandotte Drain O&M
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,353
Federal grants	-	-	-	167,010	-	-
State-shared revenue and grants	-	108,425	-	13,036	-	-
Contribution from component unit	-	-	-	-	-	-
Investment income	14,121	5,739	74,096	-	5,014	108,361
Other revenue	48,009	-	30,558	-	27,610	-
Total	62,130	114,164	104,654	180,046	32,624	754,714
Expenditures - Current						
General government	-	-	112,449	-	-	-
Public safety	-	61,629	-	-	-	-
Public works	292,086	-	-	-	53,108	1,483,002
Community and economic development	-	-	-	256,042	-	-
Recreation and culture	-	-	-	-	-	-
Debt service	182,477	-	-	-	-	-
Total expenditures	474,563	61,629	112,449	256,042	53,108	1,483,002
Excess of Revenue Over (Under) Expenditures	(412,433)	52,535	(7,795)	(75,996)	(20,484)	(728,288)
Other Financing Sources (Uses)						
Face value of debt issue	500,000	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	500,000	-	-	-	-	-
Net Change in Fund Balance	87,567	52,535	(7,795)	(75,996)	(20,484)	(728,288)
Fund Balance - Beginning of year	249,444	115,498	1,485,494	119,015	184,523	1,776,726
Fund Balance - End of year	\$ 337,011	\$ 168,033	\$ 1,477,699	\$ 43,019	\$ 164,039	\$ 1,048,438

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2006

Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund					
Sidewalk and Alley Paving	Special Events	Building Authority Improvement	EPA Cooperative Agreement	DPS Building Bonds	Construction	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,353
-	-	-	363,495	-	-	530,505
-	-	-	-	-	-	121,461
241,099	-	-	-	-	-	241,099
90,476	12,733	6,995	-	8,017	53,262	378,814
355,093	234,590	238,485	-	-	-	934,345
686,668	247,323	245,480	363,495	8,017	53,262	2,852,577
100,000	-	144,229	-	4,408	164,964	526,050
-	-	-	-	-	4,604	66,233
502,844	-	-	-	-	-	2,331,040
-	-	-	-	-	-	256,042
-	285,881	-	-	-	2,937,086	3,222,967
-	-	-	-	454,050	-	636,527
602,844	285,881	144,229	-	458,458	3,106,654	7,038,859
83,824	(38,558)	101,251	363,495	(450,441)	(3,053,392)	(4,186,282)
-	-	-	-	-	9,495,000	9,995,000
-	-	-	-	1,102,859	-	1,102,859
-	-	-	-	1,102,859	9,495,000	11,097,859
83,824	(38,558)	101,251	363,495	652,418	6,441,608	6,911,577
974,593	247,185	470,719	627,450	763,821	283,786	7,298,254
\$ 1,058,417	\$ 208,627	\$ 571,970	\$ 990,945	\$ 1,416,239	\$ 6,725,394	\$ 14,209,831

City of Wyandotte, Michigan

**Federal Awards
Supplemental Information
September 30, 2006**

City of Wyandotte, Michigan

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wyandotte, Michigan as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 6, 2007. Those basic financial statements are the responsibility of the management of the City of Wyandotte, Michigan. Our responsibility was to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the City of Wyandotte, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 6, 2007



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor
and City Council
City of Wyandotte, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wyandotte, Michigan as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wyandotte, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Wyandotte, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2006-3 to be a material weakness.

To the Honorable Mayor
and City Council
City of Wyandotte, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wyandotte, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2006-2. We also noted certain additional matters that we have reported to the management of the City in a separate letter dated March 6, 2007.

This report is intended solely for the information and use of the city council, management, and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 6, 2007



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Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor
and City Council
City of Wyandotte, Michigan

Compliance

We have audited the compliance of the City of Wyandotte, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2006. The major federal program of the City of Wyandotte, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Wyandotte, Michigan's management. Our responsibility is to express an opinion on the City of Wyandotte, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Wyandotte, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Wyandotte, Michigan's compliance with those requirements.

In our opinion, the City of Wyandotte, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

To the Honorable Mayor
and City Council
City of Wyandotte, Michigan

Internal Control Over Compliance

The management of the City of Wyandotte, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Wyandotte, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the city council, management, and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 6, 2007

City of Wyandotte, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Federal Agency/Pass-through Agency/ Program Title	CFDA Number	Pass-through Entity	Award Amount	Federal Expenditures
		Project/Grant Number		
U.S. Department of Housing and Urban Development - Passed through Urban Community Development Block Grant - Wayne County, Michigan:				
2006 program year	14.218	Project #30	\$ 212,000	\$ 188,820
2005 program year	14.218	Project #30	238,000	73,020
2004 program year	14.218	Project #30	264,000	<u>81,259</u>
Total U.S. Department of Housing and Urban Development				343,099
U.S. Department of Transportation - Passed through the Michigan Department of Transportation - Federal Highway Administration Highway Planning and Construction	20.205			138,510
Federal Emergency Management Agency - Department of Homeland Security - Passed through the State of Michigan:				
State and Local Assistance	97.004	N/A	11,700	11,700
Buffer Zone Protection Plan	97.078	N/A	100,000	<u>100,000</u>
Total Federal Emergency Management Agency				111,700
U.S. Environmental Protection Agency: Passed through Wayne County - Brownfield Assessment and Cleanup Cooperative Agreements	66.818		200,000	58,747
Federal Equitable Sharing	16.unknown		N/A	<u>4,029</u>
Total federal awards				<u><u>\$ 656,085</u></u>

City of Wyandotte, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 690,105
Federal revenue not reported in the financial statements:	
Homeland Security - Buffer Zone Protection Grant	100,000
Community Development Block Grant	203,018
Brownfield Assessment and Cleanup Cooperative Agreements	9,055
Homeland Security - State and Local Assistance	11,700
Federal Equitable Sharing Program	4,029
MDOT Highway Planning and Construction	138,510
Federal revenue reported in the financial statements, not expended in current period:	
Juvenile Accountability Block Grant	(1,295)
Community Development Block Grant	(144,533)
Brownfield Assessment and Cleanup Cooperative Agreements	<u>(354,504)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 656,085</u>

City of Wyandotte, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wyandotte, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended September 30, 2006 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture - Passed through Wayne Metropolitan Community Services Agency	10.569	U.S.D.A. Food Distribution	\$ 12,537

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 3,000

City of Wyandotte, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Wyandotte, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section II - Financial Statement Audit Findings

Reference Number	Findings
2006-I	<p>Authorization of Property Tax Levy</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Property tax levies must have statutory or constitutional authority.</p> <p>Condition - The City levies property taxes to support drain operation and maintenance costs, but has been unable to identify the statutory or constitutional provisions that authorize the levy of this millage.</p> <p>Context - The levy resulted in property tax revenues of approximately \$644,000 for the year ended September 30, 2006. There are legal complexities related to the determination of whether the millage has proper authorization.</p> <p>Effect - If it is determined that the City did not have authority to levy the millage, the City may have a liability related to the revenues received.</p> <p>Cause - The City does not have a process in place to ensure property taxes being levied fall within criteria that they have statutory or constitutional authority.</p> <p>Recommendation - We encourage the City to seek resolution related to the authorization of this levy.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review its process for establishing the authority to levy property taxes. In the case of the specific levy in question, the City will seek legal guidance related to the authorization for this levy.</p>

City of Wyandotte, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2006-2	<p>Retirement System Foreign Holdings</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Public Act 314 as amended in Public Act 485 in 1996 governs the holdings of the City's retirement system.</p> <p>Condition - The City's foreign holdings in the retirement system may not be in compliance with the Act.</p> <p>Context - It appears that the City's foreign investment holdings in the retirement system exceed the 20 percent threshold permitted in the Act.</p> <p>Effect - We are not aware of any potential remedies related to this issue.</p> <p>Cause - The City's retirement system utilizes investment managers to monitor compliance of its holdings with the Act.</p> <p>Recommendation - We recommend that the City review its retirement system portfolio and its internal control procedures related to monitoring of the system assets to ensure the holdings are in compliance with the Act.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will address the status of the current holdings and its compliance with the Act with the system's investment managers. The City will also establish procedures related to monitoring the system's compliance with the applicable Acts.</p>

City of Wyandotte, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section II – Financial Statement Audit Findings (Continued)

Reference Number	Findings
2006-3	<p>Timely Preparation of Bank Reconciliations</p> <p>Finding Type - Material weakness</p> <p>Criteria - Bank reconciliations should be prepared on a timely basis within the City's framework of its internal control structure.</p> <p>Condition - Bank reconciliations were not prepared timely for the accounts of the Wyandotte Department of Municipal Services (WDMS).</p> <p>Context - The lack of preparation of timely bank reconciliations resulted in material unexplained differences in year-end balances between WDMS' general ledger and the statements of the bank.</p> <p>Effect - WDMS could not support the general ledger cash balance at year end.</p> <p>Cause - WDMS does not have a process in place to ensure timely reconciliations are prepared.</p> <p>Recommendation - We encourage the City to review current procedures and implement the changes necessary to ensure that timely bank reconciliations are prepared by WDMS.</p> <p>Views of Responsible Officials and Planned Corrective Actions - WDMS will review its bank reconciliation process and establish controls to ensure that timely reconciliations are prepared.</p>

Section III - Federal Program Audit Findings

None

City of Wyandotte, Michigan

Summary Schedule of Prior Audit Findings Year Ended September 30, 2006

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2005	2005-01	The City did not have a process in place to ensure the project manager was monitoring prevailing wages for compliance with the Davis-Bacon Act.	66.818	None	Corrected. The City has implemented monitoring procedures to ensure project manager's are reviewing for compliance with Davis-Bacon requirements.



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March 6, 2007

Honorable Mayor and Members
of the City Council
City of Wyandotte
3131 Biddle Avenue
Wyandotte, MI 48192

Dear Mayor and Council Members:

We recently completed our audit of the basic financial statements of City of Wyandotte, Michigan for the year ended September 30, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

STATE SHARED REVENUE

Municipalities in Michigan have and will continue to feel the effects of the slowdown in the State's economy. The City's state shared revenue totaled approximately \$3.4 million for the 2005/2006 fiscal year and accounted for 17 percent of the City's total General Fund revenue (as recently as the year ended 2000 the City received approximately \$4.4 million of state shared revenue). Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue-sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue-sharing line item in the State's budget, revenue-sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to state-shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the City to be conservative in its estimation of state-shared revenue as this line item in the State's budget remains vulnerable.

On August 9, 2006, the Michigan Legislature approved a voters' legislative "initiative" to repeal the Michigan Single Business Tax ("SBT") for tax years beginning after December 31, 2007, two years earlier than it was originally slated to end. In addition to the repeal, the law requires the Michigan Department of Treasury to prorate the SBT to result in the equivalent of zero tax on business activity occurring after December 31, 2007.

Currently, there is not an adopted plan to replace the \$1.9 billion in lost revenue to the State. In addition, ending and replacing the State's personal property tax, a significant revenue source for many local governments, has been added for consideration as part of a new revised Michigan business tax structure. If no replacement revenue is identified or revenue at the State level is not replaced in its entirety, statutory revenue sharing may become a target to fill the hole in the State's budget. Depending on the final form of that plan, personal property tax revenue is at risk also. Debate on this matter will continue into 2007.

The statutory formula expires in 2007 and requires action by the legislature. If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$1,400,000 annually at risk in its General Fund budget based on the State's budget for the 2006-2007 year. We will continue to update the City as developments occur.

Personal Property Tax

Over the last six years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in approximately 10% drop in property tax revenue. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30% revenue loss to local units of government). Also, the Michigan Supreme Court in *WPW Acquisition Co v. City of Troy* ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

Further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the City, personal property tax represents a significant percentage of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The Governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the WPW case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

FUNDING OF POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the *government wide financial statements*, rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (as discussed below, there are incentives to do so).

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets.

This valuation will need to be performed by an actuary at least every other year. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in

situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution.

This statement is being phased in over a three year period, similar to GASB 34. It is effective for the City's September 30, 2009 fiscal year. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that the City plan ahead adequately to ensure that the necessary actuarial valuation data is available no later than June 2008 for consideration as part of the City's 2008/2009 budget process. This process involves a thorough analysis and summary of existing benefit promises and may require evaluation by legal counsel of the requirement to provide such benefits.

TRANSPORTATION MATTERS

Current legislation modified Act 51 to allow local governments to transfer monies from the Major Street Fund to the Local Street Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent, including the adoption of an asset management process for the Major and Local Street systems, as well as a detailed resolution passed by the City. It is important to note that major street funds transferred for use on local streets cannot be used for construction but may be used for preservation, and these provisions sunset December 31, 2008. Without an extension of this provision, a transfer from the Major Street Fund to the Local Street Fund can only be done to the extent that local revenues exist in the Major Street Fund. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

INTERNAL CONTROL CONSIDERATIONS

During the audit, we noted the following regarding the internal control structure:

Treasurer's Office

During our audit, it was noted that a member of the Finance Department has assumed some of the duties traditionally performed by the Treasurer's Office. It was also noted that additional controls in the Finance Department were implemented to counteract potential segregation of duty issues. However, this individual is responsible for both investing activities and general ledger recordkeeping. The investments under control of the Treasurer's Office are limited in volume, as they are primarily comprised of certificates of deposit. We would encourage the City to review the segregation of duties between the Treasurer's Office and the Finance Department to ensure that the proper level of controls are in place.

Bank Reconciliation Review

Senior management indicated they are reviewing bank reconciliations, but no documentation of this review, such as initialing or signing, is being performed. We recommend the City develop procedures to ensure any review is documented.

OTHER ITEMS

DEBT

The City should maintain less than one year's debt service in a debt service fund for an Unlimited Tax General Obligation bond paid through a tax levy. While the City anticipates additional debt expenditures related to bonds issued in 2006, the current fund balance is still approximately fifty percent higher than next year's payments. Senior management is aware of the requirement and has indicated that the financing plans for the upcoming capital projects will reduce the balance in the debt service fund appropriately. The City should take this into account when setting the tax levy for the debt.

BROWNFIELD REDEVELOPMENT FUND DEFICIT

The Brownfield Redevelopment Authority has a net deficit at September 30, 2006, primarily due to the Labadie Park project completed during the prior year. It is our understanding that the Brownfield Authority plans to utilize future tax captures to pay for the project and eliminate the deficit. The City is required to file a deficit elimination plan with the State.

We would like to thank the Mayor and City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the finance department as well as the rest of the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Blake M. Roe



Stacey L. Reeves